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DEPARTMENT OF TRANSPORTATION AND
RELATED AGENCIES APPROPRIATIONS
FOR 1995

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Department of Transportation and Re...

BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRD CONGRESS
SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF TRANSPORTATION AND
RELATED AGENCIES APPROPRIATIONS

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DELACROIX DAVIS III, RICHARD E. EFFORD, CHERYL L. SMITH, and LINDA J. MUIR,
Subcommittee Staff

PART 1

DEPARTMENT OF TRANSPORTATION:

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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR 1995

HEARINGS

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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR 1995

WEDNESDAY, FEBRUARY 23, 1994.

DEPARTMENT OF TRANSPORTATION

WITNESSES

HON. FEDERICO PEÑA, SECRETARY OF TRANSPORTATION

LOUISE FRANKEL STOLL, ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS, OFFICE OF THE SECRETARY

OPENING REMARKS

Mr. CARR. Good morning. This hearing will inaugurate our appropriations hearings for the fiscal year 1995 cycle.

I am delighted to welcome to the Committee the Secretary of Transportation to be our lead-off witness. I am also delighted that this year's cycle occurs in what I might say is sort of a comfort-built framework that we all didn't have last year, as we were sort of pulling things together from bits and pieces. It is nice to have you here. I also want to welcome the Assistant Secretary for Budget and Programs, Louise Stoll, as well.

Mr. Secretary, your statement will be included in the record in full, and now, if you will, I would ask you to summarize your remarks and then we will get right to questions.

Secretary PEÑA. Thank you, Mr. Chairman.

Good morning, members of the Committee.

Let me also introduce Gene Conti, who is here with us this morning who is a deputy to Louise; and Kathy Collins is here also, and Rodney Slater, our Federal Highway Administrator. He must have a particular interest in what I am going to say this morning.

First of all, Mr. Chairman, and members of the Committee, let me start by thanking you for the very quick response that you provided in allowing the administration and the government to respond quickly to the Los Angeles earthquake. We are continuing to work very closely with Los Angeles, but I must say that the very quickness with which this Committee responded to that request is very much appreciated.

I would like to formally submit my comments for the record, Mr. Chairman, but let me, as you suggested, summarize as quickly as I can, because I know the Members have many questions about the 1995 budget, the general approach that we took in putting the 1995 budget together and then talking about some of the priorities in the budget.

As you know, Mr. Chairman and Members, our Nation has always been a Nation in motion. Our transportation industry rep-

resents 17 percent or about \$1 trillion of our gross domestic product. The capital stock of our infrastructure is valued at \$1.4 trillion. This is a very important investment that we have made as a Nation and one that this administration wants to continue to support.

The result of the 1995 budget request is to set unprecedented levels of support for transportation in our country. The budget that we are recommending is about investment—in our economy, in jobs, in infrastructure, in safety and technology. The challenge that we had in putting this budget together was to deal with the budget caps that we had agreed to meet. The bottom line is that our request is for \$39.7 billion in appropriations and obligation limitations for the programs administered by the Department.

I see Gene has already put up these very nice charts that we have with us.

Let me first describe the process that we used in putting the budget together. First, I asked each of the administrators and assistant secretaries to review their budgets from bottom up and eliminate programs that were no longer essential, cut back in areas that were no longer critical, and then to preserve the very fundamental mission of the Department. By doing that, we did cut some programs, we are happy to discuss those. We are terminating some programs. But we also preserved a strong and growing budget for our infrastructure, for research and development, to keep American goods and people moving efficiently, and to address our future environmental concerns.

DOT STRATEGIC PLAN

The process that we used, Mr. Chairman, was to make every effort to get our budget to reflect our goals. We developed this seven-point strategic plan for the Department some time ago. It is not enough to develop a strategic plan if you can't get your budget to reflect that plan and allow you to implement it. So we have tried to shift priorities in the 1995 budget to reflect the priorities that we identified here.

Let me just quickly refer to them.

The first was to create a truly intermodal system, one that ties America together, that ties all of the modes of transportation that we have in the country together into a unified national transportation system. To do that, however, we assume that all of the modes of that transportation system are healthy. The fact is they are not.

There are three in particular where we have decided that unless we make substantial investments and make them financially healthy, strong and competitive, we could not then have a national transportation system. Those three are aviation, the maritime industry, and passenger rail. This budget reflects investment in those three industries.

In aviation, we are requesting a 7 percent increase to about \$2.3 billion for facilities and equipment and keeping the AIP grant program at about \$1.69 million. As you know, we are at work on an Air Traffic Control private corporation concept. It is not reflected in the 1995 budget. We won't have that proposal done until April.

At this point we don't think it will have a 1995 budget impact, but it might. But thus far we think that that proposal would take time to implement.

The maritime industry is very critical to our national security and our global competitiveness. So we are proposing a \$1 billion, 10-year maritime security program which will allow us to make payments to our maritime fleet. It will be funded by an increase in the tonnage fee. The payments are about \$2.5 million per vessel for the first three years. That drops down to about \$2 million per vessel. That will help us keep alive about 52 ships under the U.S. flag.

In addition to our maritime security proposal, we are investing in shipbuilding. Given last year's commitment and this year's budget request, we will be able to leverage through loans about \$1.5 billion in new ship construction in the United States, which is very important to that industry.

The third component is passenger rail. Obviously, the strongest passenger rail system we have in the country today is Amtrak. We are proposing a 15 percent increase in Amtrak operating and capital assistance to about \$788 million.

In addition, we want to continue to support the Northeast Corridor Improvement Program at about \$200 million. And we are also proposing a \$32.5 million program for high-speed rail, which I will talk about in a second.

Our second goal is to continue to invest in infrastructure. As you know, Mr. Chairman, almost half of the departments in the government were cut; the others were subject to some increases. The President made a decision that investment in infrastructure, in particular transportation infrastructure, was going to be a priority for this administration, and it is reflected in this budget.

We want to continue to grow in this area, particularly with highway funds which are provided to the States. We want to get to a level of about \$28.2 billion for total infrastructure.

The amount of the 1995 budget that goes to direct investment in infrastructure is 71 percent of our total budget. Interestingly, what we invest in DOT in transportation infrastructure also represents about 83 percent of the total Federal Government's investment in infrastructure. Normally, you hear references to other areas of investment for infrastructure, but when you get down to where the predominant portion of infrastructure investment comes, it comes in the area of transportation.

With respect to ISTEA, we are recommending that we fully fund the key programs of ISTEA. When we talk about full funding, Mr. Chairman, I must say that there has been a very legitimate difference in definition, I guess is the best way to put it, of what we mean by full funding.

What we mean by full funding is fully funding the primary formula programs of ISTEA that effect every State and every transit system in America. That means the core highway grants, we would like them to be \$18.3 billion, up 4 percent over 1994; and the mass transit formula grants, an increase of 19 percent over 1994.

We are recommending in the transit area a 25 percent reduction in operating funds, but again, our formula capital investment in transit increases by 40 percent. And I am happy to talk about that

in response to questions, but generally speaking we have made the decision that it is more strategic from our perspective to invest on the capital side as opposed to the operating side.

Let me just say on that point, Mr. Chairman, because there has been a lot of discussion about this, that every transit agency in America will receive more money for transit than they ever have before under this budget. No agency will receive a reduction in transit funding.

So when you hear from some individuals who are concerned about the reduction in operating assistance, I want to emphasize that the increase in capital funding is far in excess of the reductions in operating. On average, every transit agency in America will receive about a 19 percent increase in new transit formula funds. And we are hopeful that they can make adjustments in response to the recommendation we are making to reduce operating assistance by 25 percent.

Overall, this budget will fund about 94 percent of ISTEA compared to 1993, where we only had 81 percent funding. This means that States and local governments will have about \$3.6 billion more to spend on highways and transit than they did in 1993.

Our third goal in our strategic plan is to invest in new technology. We have proposed a significant increase in research and development. Overall we are now looking at \$2.7 billion spent on transportation-related R&D. We want an increase of 14 percent to \$692 million for DOT under this particular budget.

Examples of what we want to do in new technologies is more investment in intelligent vehicle highway systems, more support of the global satellite system, which we are trying to accelerate to bring it in use much more quickly than we had originally anticipated, and thirdly, getting back to my reference to high-speed rail, we want to continue that program moving forward.

I must say, Mr. Chairman and Members, some of you know that I was hopeful that we would get more funds for high-speed rail. We were not able to do that. But we want to continue the work. Our work there will be in three areas.

Number one, focusing on technology, such as electric locomotives and new crossing improvements. Second, conducting a commercial feasibility study, which is actually required by ISTEA, but for whatever reason the Department had not done and third, working closely with Amtrak in developing next generation technology. So that is our general investment strategy in terms of technology.

Our fourth goal is to continue to work on safe and secure transportation. Our funding level in the area of safety is maintained at about \$1.9 billion. We want to increase our Motor Carrier Safety Grants to the ISTEA level of \$83 million. We want to reduce motor vehicle injuries because they are also a public health concern. We are beginning to observe that in addition to the loss of life and injuries, the problems on our highways generate about \$3.7 billion per year in Federal medicare and medicaid costs, and about \$14.2 billion in a year in total health care costs.

So there is a health care component to what we do in the area of safety that we hadn't thought about before or at least hadn't emphasized before and we want to do that.

We are also making security a new emphasis in the Department in light of recent situations in our country. We think it is important that we focus on security issues.

As respect the Coast Guard, we want to increase funding by about 4 percent. As you know, Mr. Chairman, and Members, there are other areas where we have taken action to improve safety, primarily in the drug and alcohol area where we recently issued some rules there.

Our fifth goal is to enhance the environment. That has a number of components to it. Number one, cleaning up our own operations in DOT. We have our own facilities which have environmental problems.

We are recommending \$519 million to clean up our own facilities, for marine environmental protection and for noise mitigation.

We also want to work on congestion mitigation. We know that in the 50 largest cities in the country, about \$39 billion a year is wasted on fuel costs and lost time and of course damage to the environment. So we want to support the congestion mitigation highway funds authorized by ISTEA. We also propose something new, and that is to require that 10 percent of the formula transit capital grants that go to all of the cities, about \$265 million, be used to support congestion mitigation efforts. We think that is a very high priority for our country. Having just spent a lot of time in Los Angeles, I can tell you that.

Our sixth goal is to make transportation relevant and accessible to users. This may sound like a very simple concept, but we have observed in the past that investments made in the area of transportation have not been friendly to neighborhoods, and have not taken into account user friendly aspects of those investments. We want to change that to ensure that transportation investments truly improve the quality of life for people throughout communities.

For example, the increased funds that we are proposing for transit capital will allow transit agencies to comply with the Americans With Disabilities Act. This has been a concern raised by a number of transit agencies.

We want to increase funds for transportation planning so that people can plan more thoughtfully. We want to provide \$30 million for a program we are calling the Livable Communities Program, which is to find a way to assist communities as they make investments to integrate transit into the entire neighborhood.

For example, in Oakland, a community there wants to connect a series of neighborhood businesses that are about a block away from the transit stop to integrate shopping with the transit stop. There is also a health care facility about a block-and-a-half away. We have not thought about how to integrate all of those activities around transit stops. This program is an effort to give people an incentive to think more carefully about how to do that.

The last effort is transforming the Department of Transportation itself. As you know, we are very committed to reforming this government. The Vice President and the National Performance Review effort asked all of us to think about programs that we ought to terminate, things that we ought to do differently, and we are no different from other departments.

So in our budget we are recommending things like increasing fees for FAA inspection of foreign repair facilities. We felt that those fees had not been kept up to pace.

We are also asking that we reconsider old programs like the Essential Air Service. It is very important to communities that are isolated from airports. But over time, we have seen that we are funding some of these cities substantially with very high subsidies, over \$200 per passenger, and communities less than 70 miles from an airport—where we think they can drive to that airport and take advantage of that service—we have been subsidizing them also.

We have had to take a hard look at the essential air service and say we have to make changes there. The same is true with the Local Rail Freight Assistance Program, a program that was started 20 or 30 years ago at the time when the industry was hurting financially. We have now recognized that things have changed and that is a program that we ought to terminate. Very difficult decisions, but again, I think the American people expect us to make those kind of tough decisions.

We are also committed to making tough decisions as respects our civilian employment. Our effort right now will achieve a 12 percent reduction by 1999. We will have a 5 percent reduction from 1993 enacted levels by the end of 1995, and we are actually ahead of our projections in that area. To help us reduce employment, we need the buy-out legislation which has been proposed so that we can do it thoughtfully and strategically and not through the RIFs of times past. RIFs have not been very helpful in getting to the objectives we are trying to reach.

We are going to streamline the bureaucracy, make cuts where necessary and respond to the requests to transform the Department of Transportation.

Mr. Chairman, that summarizes my opening comments. I have been rather general in my presentation; I am happy to add many more specifics to this.

It was a tough budget. We did come out with some support compared to other departments, and I think it reflects the President's commitment to invest in infrastructure and in transportation technology for the country.

[The prepared statement of Secretary Peña follows:]

OPENING STATEMENT OF THE HONORABLE FEDERICO PEÑA
SECRETARY OF TRANSPORTATION
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION
FEBRUARY 23, 1994

Mr. Chairman and members of the Subcommittee, I am pleased to appear before you to discuss the Department's budget request for Fiscal Year 1995. I would like to take this opportunity to thank the Subcommittee for the very fast response to the emergency requirements facing Los Angeles after the earthquake. I give you my assurance that DOT will work closely with California to ensure prompt rebuilding.

I would like to take this opportunity to explain how we approached the FY 1995 budget and the priorities that shape our budget request.

We have always been a nation in motion. Americans have moved farther, gone faster, and made more progress in our short history than any other country on earth. Together, the transportation industry represents 17 percent, or about \$1 trillion, of our Gross Domestic Product. The capital stock of our transportation infrastructure is valued at over \$1.4 trillion. As we approach the next century, our transportation system remains critical to the well-being of this nation.

This budget recognizes the importance of transportation to our economy. Several months ago, the President sat down with his Cabinet and senior advisors to begin putting this budget together. When I met with him, the President and I talked about the role of transportation investment in our economy:

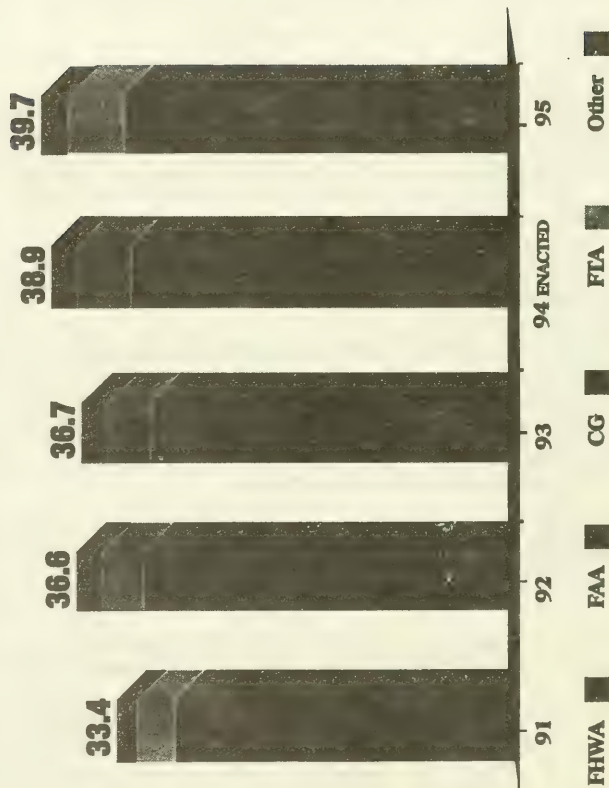
- o about the nearly 25,000 quality jobs supported by every \$1 billion investment in transportation infrastructure;
- o about the critical role that transportation plays in local and regional economic development; and
- o about the important public commitment of stewardship and fiduciary responsibility to maintain our infrastructure.

The result is a budget for 1995 that sets unprecedented levels for transportation investment in this country. This budget is about investment -- in jobs, infrastructure, safety, technology and most importantly in America's competitive future.

The Challenge

We had to provide for DOT's key investment priorities while

TOTAL DOT-WIDE BUDGET RESOURCES (\$ BILLIONS)



NOTE: "Budget Resources" Includes Appropriations, Obligation Limitations, and Exemptions

meeting budget targets, and achieving our deficit reduction goals. This is the first time discretionary spending in the Federal Budget has been capped at zero growth. Hence, we faced tough choices in formulating this budget.

The Bottom Line

We are asking Congress to provide \$39.7 billion in appropriations and obligation limitations for programs administered by the Department of Transportation. This is about a 2 percent increase, \$800 million more than the levels enacted in the regular DOT Appropriations Act for FY 1994.

The President made tough choices, and a key priority of his was to invest in transportation infrastructure because it helps grow the economy and create jobs. Moreover, the Department has a public commitment of stewardship, and fiduciary responsibility, to maintain the nation's infrastructure. As an example in the highway area alone, FHWA estimates that about 25 percent of our major highways have poor or mediocre pavement, which increases vehicle operating costs and congestion. Similarly, 20 percent of the highway bridges are rated as structurally deficient. Deferring rehabilitation or reconstruction increases the cost and time required to rebuild.

The Process We Followed

I began the FY 1995 budget process by asking each Administrator and each Assistant Secretary to do a thorough "bottom-up" review to:

- o cut back wherever possible
- o eliminate activities we no longer need to do, and
- o preserve what is essential to DOT's mission.

Our tough budget process has resulted in a number of program cuts and terminations but it has also preserved a strong and growing budget for infrastructure, and R&D which will keep American goods and people moving efficiently, address environmental concerns, and move our transportation system toward the 21st century.

DOT Strategic Plan

DOT's new Strategic Plan, which we recently completed, provides the framework for this budget. I would like to explain how the budget supports the seven goals set out in our Plan.

STRATEGIC GOALS FOR DOT

1. Tie America Together
2. Invest Strategically in Transportation Infrastructure
3. Promote New Technologies
4. Foster Safe and Secure Transportation
5. Actively Enhance Our Environment
6. Make Transportation Relevant and Accessible to Users
7. Transform DOT

GOAL 1: Tie America Together:

The first goal in our plan is to develop an effective intermodal transportation system -- to help us meet the challenges of the 21st century global economy by enhancing all our different modes of transportation and their links, allowing all of us to travel at lower cost and with fewer delays. This will involve the development of a *National Transportation System (NTS)* involving all modes, which is built upon the model of the National Highway System (NHS) we recently announced. The NTS will include components from aviation, highways, intercity bus, intermodal terminals, pipelines, ports and waterways, public transit and railroads. It will be developed in cooperation with transportation industries, users, State and local governments, and others affected by transportation services and facilities. The Department will ask those parties, through an outreach effort, to share the insights that they have developed through their ongoing planning and operational experience.

In this budget we are focusing on three modes that need strengthening to be effective players in our emerging intermodal system: the aviation industry, maritime industries and passenger rail service.

For aviation, we propose a 7 percent increase to \$2.3 billion for Facilities and Equipment, for major projects to improve and modernize air traffic control systems, such as radars and landing and navigation aids. We also request level funding for Airport Improvement grants at \$1.69 billion to address the capacity, efficiency and safety of our aviation system. AIP grants fund major projects, such as construction and rehabilitation of runways, taxiways, and apron areas.

While the budget does not reflect our proposal to create an Air Traffic Control (ATC) corporation, we are actively working to develop a proposal for consideration later this year. As the Committee knows, FAA's air traffic control system is a unique entity within the government. It is an operational organization, up and running 24 hours a day, 365 days a year. It is also the only government entity upon which an entire industry is wholly dependent. Put simply, without air traffic control, there is no airline service.

Bound by the federal personnel, procurement, and budgetary constraints as it is today, the air traffic control system simply cannot function as safely, efficiently, and cost-effectively as it should. Restructuring the system into a government corporation can address those problems. As we put together our detailed proposal, we look forward to working with the Committee to make the air traffic control system work better and cost less.

The maritime industry is important to our nation's security and global competitiveness, and the Budget includes two initiatives to help revitalize this sector of our transportation system. The first is a \$1 billion, 10-year new Maritime Security Program, to help maintain a U.S.-flagged commercial fleet. This proposal will provide subsidies of \$2.5 million per vessel in the first three years of the program, and \$2 million per vessel for the remainder of the program. *This is the first time the President's Budget has incorporated funding for a new maritime assistance program.* The second initiative provides funds to leverage \$1.5 billion in loans over two years (FY 1994-95) for shipbuilding and shipyard modernization. Also, \$3.6 million for maritime research and development will be focused on intermodal connections to improve efficiency of cargo movement through ports, and environmental protection to reduce ocean pollution.

For passenger rail, we propose a 15 percent increase in Amtrak operating and capital assistance, to \$788 million. In addition, we would continue to support the Northeast Corridor Improvement Program at \$200 million, and invest \$100 million over two years in a joint venture for redevelopment of New York's Penn Station. We also propose \$32.5 million for the Administration's Next Generation High-Speed Rail Program, which I will discuss further in the context of technology development.

The budget also includes \$15 million to continue funding for the Bureau of Transportation Statistics (BTS). In FY 1994-95, BTS will be completing studies of cargo flow and passenger travel. This data can help us shape the National Transportation System.

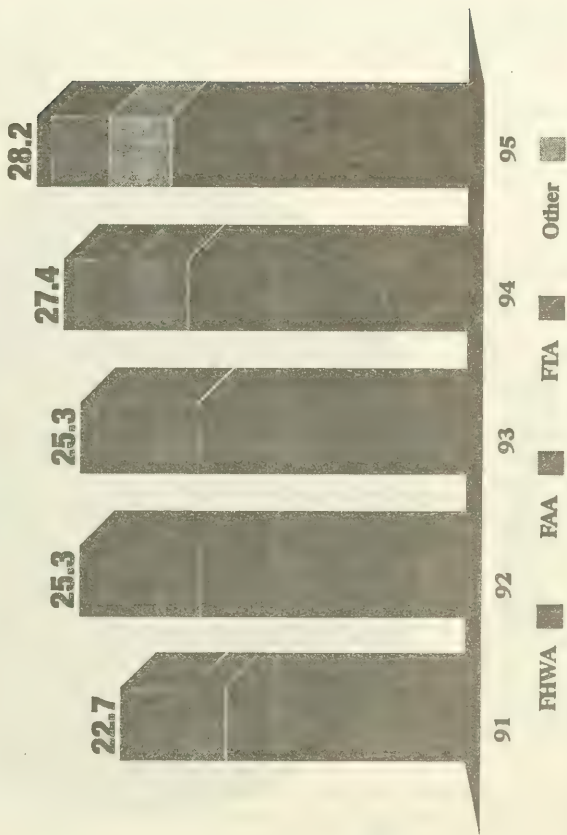
GOAL 2: Investing in Infrastructure

Because investing in infrastructure is one of the President's key themes and priorities, DOT's budget continues to grow in this area, to a level of \$28.2 billion in FY 1995, an increase of about \$800 million over the levels enacted in the regular DOT Appropriations Act for FY 1994. This includes grants to State and local governments and the capital requirements of the Coast Guard and the FAA. The increase in highway funds helps States impacted by NAFTA.

Not only does infrastructure spending account for the predominant portion of DOT's budget -- fully 71 percent -- but DOT's infrastructure budget accounts for over 83 percent of the total Federal budget for infrastructure.

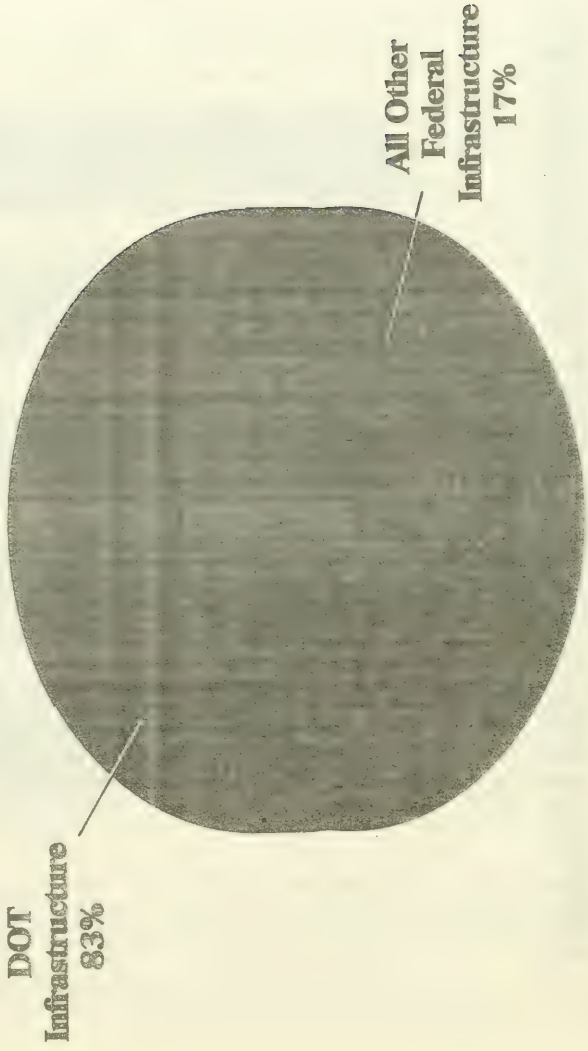
The President demonstrates his special commitment to our Nation's infrastructure by fully funding key programs at ISTEA levels.

DOT-WIDE INFRASTRUCTURE INVESTMENT BUDGET RESOURCES (\$ BILLIONS)



NOTE: "Budget Resources" Includes Appropriations, Obligation Limitations, and Exemptions

FEDERAL INFRASTRUCTURE BUDGET



Total FY 1995 Infrastructure: \$34 Billion

When we're talking about full funding, there has always been a definitional problem about what is meant by this. We're talking about the primary formula programs of ISTEA that affect every State and transit agency, and are the major areas of State and local decision making:

- o core categorical Federal-aid highway grants at \$18.332 billion, up 4 percent over FY 1994
- o mass transit formula grants at \$2.865 billion, an increase of 19 percent over 1994

We urge you to join us in focusing on these core programs.

The budget does cut transit operating assistance 25 percent, but the capital portion of formula grants increases by 40 percent, to almost \$2.3 billion. As a result, every transit agency in America will receive more dollars for transit in this budget. Our focus is on capital assistance because we think it is a more strategic investment. Transit capital assistance will allow modernization of equipment and more replacement of over-age vehicles. Newer vehicles are more efficient and require less maintenance, which in turn lowers operating costs, and are also more accessible and comfortable which can help increase ridership. We also believe that with low inflation and interest rates, transit authorities are experiencing more stable fuel and labor costs and lower debt service. All of these factors should help local areas to accommodate the reduction in operating assistance.

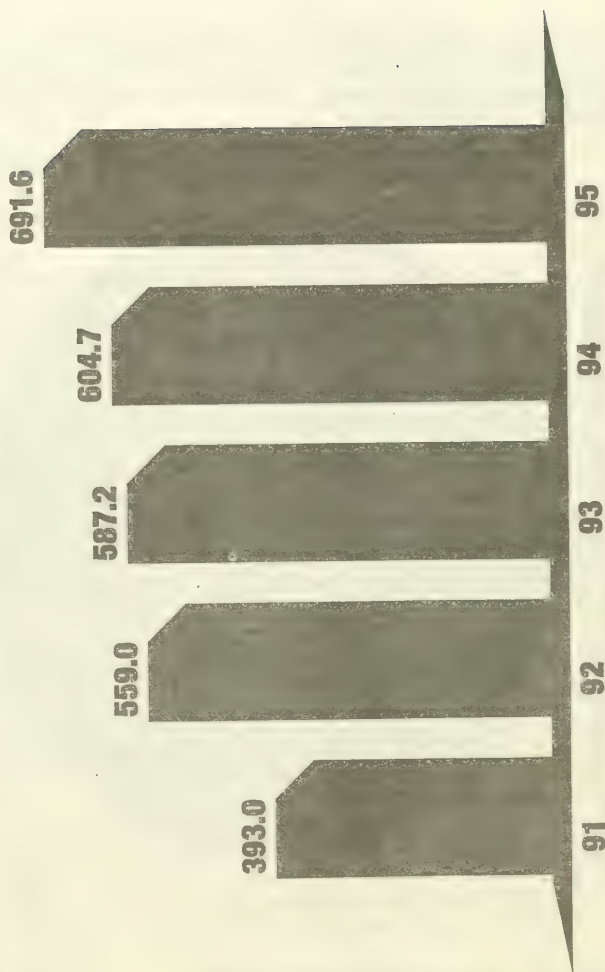
Just to give you an example of the impact of this reduction in operating assistance, Atlanta will receive 18 percent more in formula funds and have to pick up only an additional 1 percent of its operating costs. The Federal share will drop from 3.5 percent to 2.6 percent. In New York City, it is estimated that the reduction in operating assistance equates to a two-cent fare increase. A one-half of one percent expense cut would more than cover this reduction.

I would especially like to note that this budget funds a larger percent overall of all programs covered by ISTEA than ever before -- 94 percent, versus 81 percent in FY 1993. This means that States and local governments will have \$3.6 billion more to spend on highways and transit than they did in FY 1993.

GOAL 3: Promote New Technologies

Research and Development is an area of vital importance to the Nation's economic future and international competitiveness. For example, application of new technology at border crossings can help facilitate the flow of traffic. Within the government

DOT-WIDE RESEARCH AND DEVELOPMENT BUDGET RESOURCES (\$ MILLIONS)



overall, \$2.7 billion is spent on transportation-related R&D. The Department has been designated as the lead agency in a task force on transportation-related R&D, to ensure coordination of the various agencies and activities and set government-wide priorities for transportation R&D.

DOT's R&D budget would increase by 14 percent to \$692 million under this budget. Our program will support modernization of transportation systems. As such, much of what we propose creates opportunities for defense conversion applications.

We propose to spend almost \$289 million on IVHS (an increase of 35 percent over FY 1994). This funding will be targeted at operational tests, automated highway system development, and research on IVHS technologies. IVHS will help us meet our objectives of improving the efficiency of the nation's infrastructure, enhancing the environment, and supporting defense conversion efforts.

For **Global Positioning Systems**, an area in which DOD has invested billions, we request \$46 million (up 53 percent) in FAA and Coast Guard to facilitate its application to civilian use and improve our capability of determining the location of planes, ships and surface transportation vehicles. FAA will issue standards in 1995 for precision approach use, leading to Category I precision approach use in 1996. FAA expects to have GPS fully approved for oceanic use in 1996. GPS has already been approved by FAA as a supplemental means of navigation for enroute, terminal and non-precision approaches. The FY 1995 request will provide funds for refinement of GPS capabilities, and will also help FAA to determine whether GPS can be safely implemented for Category II and III precision landings.

As mentioned earlier, the budget includes \$32.5 million for **Next Generation High-Speed Rail**. This keeps us moving forward, although it is less than we hoped for, and allows us to establish a strong foundation for how we will proceed in the future. We have a three-part approach for FY 1995:

- o development and demonstration of new technology that could be used on existing infrastructure, such as grade crossing improvements and non-electric locomotives;
- o a feasibility study, which is required by ISTEA, which will help to support future funding decisions for high-speed rail in the national transportation plan; and
- o working with Amtrak in developing next generation high-speed rail equipment and operations, as we are now doing on the Northeast Corridor.

New technologies in **Commercial Space Transportation** are developing in response to space-based commercial market growth. Commercial space transportation is also key to the national information highway. The budget requests \$6.5 million and adds 6 positions (3 FTE) to this area, to ensure the safety of this growing industry.

GOAL 4: Foster Safe and Secure Transportation

Safety is central to all DOT activities, but some programs are directly aimed at safety issues, such as safety inspections and safety grants. The funding level for these programs is maintained at \$1.9 billion, essentially the same level as FY 1994. However, within this level we are funding Motor Carrier Safety Grants at the ISTEA level of \$83 million, a 28 percent increase. Increased funding will help address border trucking issues arising from NAFTA as well as continuing our efforts to improve truck safety. These grants support roadside inspections of trucks and buses and reviews of motor carrier companies. Most other safety grants are maintained at FY 1994 levels.

Motor vehicle injuries are a major public health problem, representing the primary cause of death for Americans 5-34 years of age. They generate \$3.7 billion per year in Federal Medicare and Medicaid costs, and \$14.2 billion per year in total health costs. Several DOT programs address this problem, including NHTSA's highway safety grants, which the budget funds at \$151 million. Safety grants help local governments operate programs aimed at reducing traffic crashes, fatalities and injuries. The programs focus on such areas as speed limit enforcement, increased seat belt use, reduced alcohol and drug-impaired driving, improved police traffic and emergency medical services, and increased pedestrian and bicycle safety. For example, the North Carolina "Click It or Ticket" program has recently increased seat belt usage from 65 percent to 80 percent in just three months using periodic, highly publicized enforcement efforts, which NHTSA is encouraging other States to use. It is expected to prevent more than 100 deaths and 3,000 injuries each year. The program is also an excellent example of public/private partnership. NHTSA's funds, along with private funds from the insurance industry, domestic auto companies, and local supporters, are used to support this State effort.

We have made **security** a specific goal for DOT and have brought its importance to the attention of all our key managers. We are being assisted in achieving this goal by the Intelligence Community whose help has proven invaluable for security planning and increasingly assists us in using all DOT resources in a more effective and efficient manner. My Office of Intelligence and Security plays a critical coordination and liaison role ensuring that transportation issues are addressed by the Intelligence

Community. Aviation Security programs, primarily R&D and civil aviation security staff, would be funded at about \$100 million, as in FY 1994.

Coast Guard funding will increase 4 percent to \$3.74 billion in FY 1995, recognizing its key role in safety, security, environmental protection and other missions. In particular, continued capital investments in replacing aging buoy tenders and building vessel traffic systems will help ensure safe and efficient vessel operations in key port areas.

The Federal Railroad Administration's safety budget includes funding for the annualization of staffing increases approved in FY 1994. It also includes a small increase in contract funding to develop a rail corridor risk analysis model with software that can be used to assess the need for signal, train control, and other safety systems on high-density freight lines and lines used by passenger trains.

An emphasis on safety is more than just increased budgets. You may know that we recently promulgated new alcohol and drug testing rules that call for alcohol testing programs and extension of drug testing programs for more than 7.4 million employees who perform safety-sensitive functions in transportation industries. We are looking to increase safety belt usage to 75 percent by 1997, vs. the current 66 percent. We are also targeting reducing accidents between modes at intersections. Motorist fatalities at highway-rail intersections have been decreasing in recent years, and reached a record low of 536 at public grade crossings in 1992, but we believe that we can do even better. These are just a few of the safety initiatives we have underway.

GOAL 5: Actively Enhance Our Environment

Direct program spending of \$519 million on environmental activities remains about level with FY 1994. This includes funds for cleanup of DOT facilities, marine environmental protection, and noise mitigation.

We will also address congestion management. Congestion wastes \$39 billion in the 50 largest cities in fuel costs and lost time, and is harmful to air quality. We have two programs targeted to congestion management in this budget:

- o congestion mitigation highway funds -- \$1.03 billion authorized annually by ISTEA -- should be fully available to States with our full funding proposal; and
- o we are proposing that 10 percent of formula transit funds that go to cities (\$265 million) must support projects to

reduce congestion.

In addition, we are continuing to support **oil spill response** efforts in FY 1995. Coast Guard's budget includes \$2.5 million to purchase oil pollution response equipment and \$550 thousand for pollution response R&D. RSPA's budget includes \$2.5 million to review, approve and analyze public and private sector oil pollution response plans. In addition, we are increasing the focus of RSPA's pipeline program to pipelines which carry liquid, which are more of an environmental risk. Our proposal to provide a 40 percent increase in transit formula capital grants and to continue the rail modernization and bus transit discretionary grants at essentially FY 1994 levels should go a long way to help transit authorities comply with the Clean Air Act.

GOAL 6: Make Transportation Relevant and Accessible to Users

One way of implementing our theme of "putting people first" is to make our transportation system more relevant and accessible to users. We will use the findings of ten regional hearings held in 1994 on how well ISTEA is being implemented to improve management of our transportation systems.

In support of this goal, capital funding increases are sought for transit and Amtrak to aid compliance with the **Americans With Disabilities Act**. The FHWA and FTA budgets include \$502 million -- funds passed on to States and Metropolitan Planning Organizations -- for the **transportation planning process**, slightly more than in FY 1994, to ensure good project evaluation procedures and public participation.

The FTA request includes \$30 million under Discretionary Grants for a new **Livable Communities Initiative**. This will fund innovative transit projects that support community-based efforts to address such issues as improving access to jobs and training, and local social services. Among its several purposes, the program will be targeted to improve access for residents of distressed communities, and will stimulate greater involvement in the local planning and design process by stakeholders who are not currently participants in the process. This program will likely dovetail with the Administration's Empowerment Zone initiative (involving HUD, HHS, and DOT).

Our wide-ranging consumer information programs increase by about 2 percent, to over \$30 million including hotlines on auto safety and printed materials about safety-related issues. The budget does continue the consumer affairs office within the Office of the Secretary, albeit at a reduced level given the dramatic reductions in complaints this office has received in recent years, dropping 33 percent from 687 in September of 1992 to 458 in September of 1993.

GOAL 7: Transform DOT

Reinventing Government means working better and costing less -- and we are taking it seriously at DOT. Our budget reflects the National Performance Review recommendations, such as increased fees for FAA inspection of foreign repair facilities and reduction of the Essential Air Service program. We have also included other terminations such as the Local Rail Freight Assistance program and Boat Safety Grants.

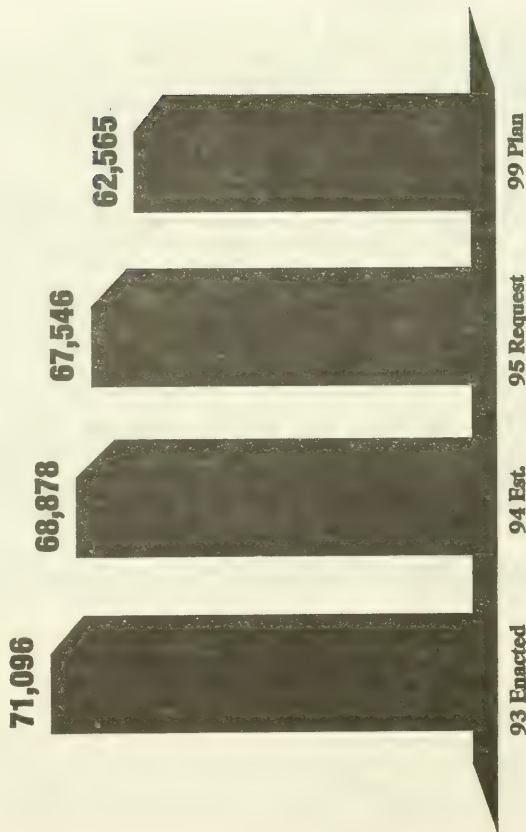
DOT's budget also supports the President's goal of reducing civilian employment by 12 percent by 1999. We have targeted middle layers of management and not the front line, customer contact staff. We will achieve a 5 percent reduction from FY 1993 levels by the end of FY 1995 -- ahead of our preliminary projections. We are pleased with the progress Congress has made in moving buyout legislation, and hope that Congress will enact buyout legislation quickly to assist in the reduction process. Without such legislation, we will likely face furloughs and reductions in force in several areas, including FAA.

In summary, through a process of detailed analysis and tough decisions, we have developed a budget that is strong in infrastructure investment and research and development, and geared toward economic growth and job creation. We face a tough budget year and I look forward to working with the Subcommittee as we go through the appropriations process.

I would be pleased to answer the Subcommittee's questions.

TOTAL FULL-TIME EQUIVALENT CIVILIAN EMPLOYMENT (FTE)

DOT Will Meet Its Civilian Reduction Targets (-12%)



NOTE: FTEs include about 840 FTEs, primarily on the payroll of Interior through allocation from FHWA for the Federal Lands Program

OPENING REMARKS

Mr. CARR. Thank you for your statement, Mr. Secretary.

Before turning to some questions, I would like to ask if the Members of the Subcommittee might have a few opening comments, being that this is the very first day of our hearings for 1995. I will call on the Members in turn and if you have some opening observations, comments you want to make, please do so.

I would ask that you hold your questions at this time, however. My good friend and esteemed colleague, Mr. Wolf.

Mr. Price?

Mr. PRICE. I want to welcome the Secretary and the Assistant Secretary and thank them for their testimony. We heard from them on broader budget issues in the Budget Committee yesterday and we look forward today to the chance to delve into more detail.

Mr. CARR. Mr. DeLay?

Mr. DELAY. I will just welcome the Secretary and will look forward to working with him.

Mr. CARR. Mr. Foglietta.

Mr. FOGLIETTA. I just want to, again, welcome you, Mr. Secretary. I realize the constraints within which you had to work. It is going to take the cooperative effort of all of us to make sure that the goals that you have set out will be accomplished. We will work with you to do that.

Mr. CARR. Thank you.

BUDGET AUTHORITY PROBLEM

Mr. CARR. Mr. Secretary, your prepared statement includes the following observation, and I am quoting from it: "We are asking Congress to appropriate \$39.7 billion for programs administered by the Department of Transportation. This is about \$800 million more than the levels enacted in the regular DOT Appropriations Act for fiscal year 1994, a 2 percent increase."

The statement actually, though, in budgetary terms might be a little disingenuous, because that amount, according to the documents provided by your Department, "excludes the effect of proposed fiscal year 1994, 1995, and outyear rescissions of contract authority that for scorekeeping purposes are scored as budget authority reductions."

The presentation that you make seems to ignore the fact that \$800 million in contract authority rescissions once planned by the administration has been taken off the bottom line. A more honest portrayal of the DOT budget does not show a 2 percent increase. Virtually, \$800 million in programmatic increases in the various modes, including fully funding ISTEA, have been offset by the \$800 million in contract authority rescissions. If the rescissions do not occur and other relief is not forthcoming, it is really doubtful that the funding increases requested are going to be there. Could you comment about our \$800 million problem?

Secretary PEÑA. Yes, Mr. Chairman and Members. It is an \$800 million budget authority problem and a \$400 million outlay problem. We very much want to work with you, Mr. Chairman, and others, to resolve the issue. Let me speak very directly to the question.

It is our preference that highway demonstration projects follow the traditional deliberations at the state level in identifying priorities for the state.

We also understand the dilemma that we have presented. We need to work with you and others to see what options we have available to us to find a way to address that \$400 million outlay problem. We have started that work now. It is going to take us some time. But I think there are some options that we can pursue to reach that target. But it is a continuing issue that we have to address in this budget; you are right.

Mr. CARR. Well, we look forward to working with you on it. And I hope that we can get a rather speedy resolution of it, because we would like to make the adjustments in cooperation with the administration and other committees of Congress.

If not, we are prepared to make those decisions unilaterally in May, and while I am not anxious to have everybody mad at me for taking the bull by the horns, we will do that. We would expect that people would understand why it came to that. So I hope that we can have an early meeting of all of the interested parties to sort of reformulate this thing so that we can get a general agreement.

SOUTHEASTERN MICHIGAN TRANSIT

Mr. CARR. I will ask one more question and then ask my colleagues to be prepared to ask theirs. I may have some follow-up questions after they have asked their questions.

Mr. Secretary, there is a situation in the southeast Michigan area that deserves some attention, and I just want to bring it to your attention. For some time, the suburban and urban transit systems in the Detroit metropolitan area, have been separate. It is sadly one of the darker spots of transit in America. While other cities were coming together, putting together, coalescing and—not just in strict operational terms, but overall political terms, as well, and for 20 years that didn't happen in Detroit. It was a politically Balkanized region. Lots of fights between municipalities, et cetera.

As a result, transit service in the southeast Michigan area has been very poor, poorly coordinated, poorly carried out; it was more a jobs program than a transit program. Just had all kinds of problems.

There are substantial duplication in services by maintaining two separate entities. It has been very, very frustrating, particularly for this Member of Congress who has been in a position to give some assistance to his home area and then finding that the case they had to make was so poor over the years that they just never got any help.

Recently, however, we have had a change of events. We have a brand-new mayor in the City of Detroit, and after years of regional gridlock, we now have the hope of the region coming together. The leaders in the suburban areas, and the new mayor of Detroit have great relations. We are off to a good start.

There is an air of optimism, and that has also come into the transit area. For the first time in 20 years, the mayor is now ready to do what the legislature had mandated 20 years ago, that the two systems come together. There are talks ongoing. I expect to be a key player in those talks in helping them all I can.

The only reason that I raise it to you, Mr. Secretary, and I will be raising it to the Federal Transit Administrator when he comes up to testify as well, is that Detroit, that has been one of the very few large metropolitan areas in the country that has not, by virtue of its Balkanization, been capable of getting and qualifying for much in the way of section 3 money. We are hopeful that as the region gets its act together and does what other regions have done throughout America, that it will stand in a place to be looked upon favorably by the Department.

In helping to get to that point, however, I am going to be suggesting to some people in southeast Michigan and working with them on formulating a proposal that will help get some section 3 money to them to overcome some of the hurdles in merging these systems. And they are very large, large systems.

For example, the fare boxes of the Detroit city system are not compatible with the fare box structure of the suburban system. So on a very important area of revenue, there is a real problem. The maintenance basis for one system won't fit the maintenance basis for another. They both had separate procurement systems and so on and so forth.

So we are going to try to work together and make sure that southeast Michigan has a first class transit system, the kind it deserves. But to do so, we are going to need a little help from the Federal Government by way of some section 3 funding down the road to enable them to make the capital expenditures necessary to merge these systems.

It will have a pretty good payoff, I believe. Right now we are suffering under the burden of duplicative administrative systems that are very costly.

You talk about cutting operating expenses. I might say just parenthetically that what I have been hearing from a lot of transit properties is, yes, we will be getting more capital funding under the Secretary's plan, but we are getting more of what we don't need. So we have some definitional problems between operational and capital, as you know.

But one of the things in southeast Michigan that is so very important is to reduce our operating costs, so that the relatively higher percentage of operating costs that is subsidized in Detroit versus other large properties can be accommodated if your budget were to pass.

So I just want to raise that to you and ask for your help down the line. It is very important to bring virtually the last major metropolitan area in the country without significant mass transit on line with every other community in America. It is, like I say, it is tragic that it is so late.

There were politics that we didn't have anything to do with, that weren't our making. But now we have a new opportunity with a new era of cooperation in the region. I will be coming to visit with you about that and I hope we will be able to get some help.

Secretary PEÑA. Well, Mr. Chairman, first of all, I congratulate you, the people of Detroit, and the entire metropolitan area for reaching this conclusion. Oftentimes, when have you these opportunities, you are able to start anew and wipe the board clean. We are happy to work with you.

Perhaps we could make this the model for the country and do it right, and do it in a way that others can attempt to replicate. I am confident that you will be able to reduce those costs by—

Mr. CARR. It will be a model of catch-up if it is, because it is the one area in the country that has really not received its fair share, basically, of what the federal government has been doing in the last 10, 15 years. But it is owing to some problems that were local. They have now been remedied. And we look forward to moving on. Mr. Wolf?

UNION REQUIREMENTS FOR FEDERAL EMPLOYEES

Mr. WOLF. Thank you, Mr. Chairman. Mr. Secretary, welcome. I want to share those comments. I think you have done a good job, and I agree with most of what is in your statement, particularly on transit operating subsidies and some other issues. Let me ask you a couple of questions that are directly related to what you said, and a couple off the subject.

You talked about streamlining the agency, and I think everyone agrees with that here; most Members voted for it. Although, I am a little bit concerned about two things that have been proposed by the administration.

One is a proposal to require Federal employees to pay an agency fee, a union fee, if you will, if they do not belong to a union. That has been one of the recommendations that they are coming out with. Would you support a policy requiring Federal employees who work at the Department of Transportation who have elected not to join a union to have to pay a check-off?

Secretary PEÑA. Congressman, I am not aware of that issue. So let me spend some time understanding it. I know that we are working with the various labor representatives at the Department of Transportation, and there are a number of them. I have to say that this one has not been brought to my attention.

Mr. WOLF. That has been one of the recommendations. If you could look at that and get back to me, I would appreciate it.

[The information follows:]

The National Partnership Council offered three options concerning dues and other union fees. Option 1 provides that where voluntary membership reaches 60 percent, all nonunion members will either be required to join or to pay a service fee in lieu of dues. Where voluntary membership is below 60 percent, nonmember employees will choose between a fair share service fee and a fee for individualized service. Option 2 will permit the parties to negotiate a fair share service fee and fee for individualized service. Option 3 requires all unit employees to pay for individualized service and permits the parties to negotiate a fair share service fee.

I recognize that a strong union, one that represents the interests of its bargaining unit employees, may add to the effectiveness of the partnership process and that financial strength is one of the overall measures of union strength. I have no objections to the concept of establishing fair payment structures to unions which will allow them to achieve such strength. However, the overall options as presented, leave a number of questions unanswered, such as whether employees would have the option of requesting a recertification vote prior to being required to pay fees. I believe further work to develop one specific proposal which clearly outlines the full impact of the proposed change is required.

MIDDLE MANAGEMENT CUTS

Mr. WOLF. The second proposal that everyone is talking about is mid-level cutbacks. Most employees are mid-level people. Even most scientists are mid-level people. Without being able to pinpoint

it exactly, I am a little bit concerned that a lot of rhetoric is targeted at getting rid of people who are between 40 and 55. As you are going through these cutbacks, I think you should look agency-wide across-the-board and not just focus on so-called middle management.

I worry a little bit about the negotiations with the unions, because many of the people that you are going to RIF are not in the unions and, therefore, there is no one to speak out for them. So, as you go through this process, I am going to watch and question from where the various cuts have come.

But be careful. Just because a person is mid-management or mid-level, doesn't mean that he or she is necessarily excess. This may be a key scientist who is working on safety somewhere.

Secretary PEÑA. That is a good point, Congressman. I know that in my previous capacity as mayor of Denver we had a buy-out program and a lot of it worked. But there were a few other issues or unintended consequences that we hadn't thought through very carefully. One was that we lost some good people. So we are mindful of that.

I have had personal experience in this area. I am glad you raised the question about middle management. It is not that we are focused on the people themselves. We are trying to replicate what has been successful in the private sector and that is to flatten the bureaucracy.

When I get a document that has been read by eight other people, I am not sure why eight other people had to read it before I got it. I am not sure what they did to that document to make it significantly better by the time I got it. We are trying to flatten the organization, and at the same time preserve those people who have direct hands-on work with people, with agencies, with governments, with our constituents, with our customers. We think that would increase the quality of the work that we do and our overall efficiency.

So we will be mindful of your concern. We are looking at other areas, also. We are also looking at consolidation. We are looking at how we can streamline some of the functions that we have in the Department. So it goes beyond just the question of middle management, but how we can be more efficient as an organization.

Mr. WOLF. I appreciate that. I think you will be sensitive. I think it is the changing of the culture in the way of thinking around the agency, as much as targeting people that you are going to get rid of.

There is a very deep morale problem now within the federal work force and in most agencies; they are very concerned. When you talk about mid-level, the woman who stopped thalidomide from coming into the country, was a mid-level employee at the Food and Drug Administration. So I think we have to be careful.

BUDGET SAVINGS INCENTIVES

Mr. WOLF. Let me give you an idea. I put an amendment in my other appropriations bill that passed. The full Committee opposed it for many years, but last year Mr. Hoyer and I worked together and it was accepted and I may offer it in this committee. At the end of the fiscal year, career people are walking down the hall, and

noting that there is all of this money left to spend. Do you need new rugs or draperies?

In every congressional office throughout this administration and every other administration, the month of September is characterized by people calling congressional offices saying we want to let you know we are giving a contract out to X, Y, Z in your district. Because at the end, you don't want to come down not having spent the money. If you don't spend the money, then you come up before the Appropriations Committee and they say, well, you didn't use this.

I think you need some form of savings incentive. I would like to know what your thoughts are. I am thinking of offering the Treasury appropriations language to give agencies the incentive to take advantage of savings. And perhaps 50 percent of that savings goes back to the Treasury to reduce the deficit, with the remaining 50 percent retained by the agency to fund critical programs and meet needs. Also, a portion of the savings could provide bonuses for Federal employees who come up with the cost-savings ideas.

Now, we are not talking about the Park Service shutting down a national park like Yellowstone, just to save money. We are talking about creatively changing the way that things are done. You have so much creative talent in your agency that would love to participate. And, if you could give them a reward for saving money, it also helps the deficit. It helps the agency change its way of thinking, provides the agency more funding, and also gives employees some incentive to help find further savings.

Would you be supportive of that?

It also is law for GSA and IRS.

Secretary PEÑA. I do support the concept. Interestingly, when the Vice President came to the Department to talk to our employees, that example came up in one of the questions and answers between the Vice President and I and the employees. We talked about how we could give people incentives to do the right things, and that is precisely what you are saying.

Mr. WOLF. Let us give you the language that we put in the other appropriations bill. Sometimes Congress doesn't like it, because you take a little authority away from the Congress for that period of time. But by doing things better, you can save some money. So we will get the language to you, because I would like to offer an amendment that you feel comfortable with, if possible.

ADVANCED AUTOMATION SYSTEM

Mr. WOLF. I am worried about the Advanced Automation System. And I saw an interview of the Chairman in the National Journal or one of the magazines, and I share his views with regard to the FAA. I commend Mr. Carr for those comments. I have the same feelings. And I expressed those feelings to you.

I sat in a committee room on this floor 10 years ago when Lynn Helms testified on the AAS, and I think at that time, it was going to cost \$2.5 billion. We all know what has happened. My concern is—and there are two questions—is something else ready to pop?

And then the other question is this: I have this IG memo here which talks about reviews by the Defense Contract Auditing Agency. "The DCAA is in the process of preparing a report to FAA

which will specifically address IBM estimating system deficiencies. The report will include recommendations for IBM to correct existing estimating system deficiencies.

We recommend FAA take prompt action to ensure IBM make changes to its estimating systems to correct the deficiencies identified by DCAA now. DCAA has not received adequate technical assistance from the FAA. Without technical assistance, DCAA has not been able to reach a definitive conclusion regarding the acceptability of IBM's judgmental methods and assumption for proposing costs.

DCAA has attempted without success to obtain technical evaluation from FAA.

FAA has severely restricted DCAA access to AAS technical guidance." And then OIG goes on to make some recommendations.

There should never be a report like this. The FAA ought to open its doors, the files, the cabinets, everything should be wide open to DCAA or other auditors.

This didn't happen on your watch. Part of the reason is perhaps that we have had so many FAA administrators come and go in a long period of time where nobody was running the shop.

But the questions are two-fold. Are there any other issues ready to drop two, three months from now that we should know about?

And secondly, would you put the word out in the FAA that that there should be total, complete cooperation. If anyone from the DCAA indicates there is no cooperation, then maybe there should be a reprimand to that employee. I mean there should be no excuse why all the information isn't given.

Secretary PEÑA. Congressman, of many things that I am troubled about, this one is one that I have been troubled about from the very first day and I am still troubled about it. I am not happy with the progress that we were to have seen in the AAS as to the commitments made to this Committee and to others. That is why I asked the administrator several months ago to bring in some outside people to do a total review of this program.

We have at least two components of that independent analysis ongoing. One is reviewing the finances, the financial picture and the time line that was presented to this Committee some time ago and determining whether or not that is still accurate.

The second is using the Center for Naval Analysis to do an independent analysis of the program to see if it is structured correctly. We should have those reports very soon. It is clear to me that this project has not been managed correctly.

In addition to the issues raised with IBM, let me complicate it even further. Loral is now the new owner of the system. I have met with the president of Loral to talk about my concerns about how they are going to fulfill the expectations that we have of them and of IBM to allow us to ensure that we have adequate oversight of this transition from IBM to Loral.

I have also talked to the Defense Department, because the Defense Department has to do novation agreements of all of the agreements that exist between one party and the other. We want to be very thoughtful about how we use those to ensure that the new company is, in fact, committed to maintain the targets, the

deadlines and the financial caps that we are looking at. So we are spending a lot of time on this.

In answer to your other question, is there another shoe to drop? Until I get the report from Mr. Hinson and the others, I won't be able to answer that question. I have to tell you, though, that I am very disappointed with what we were all told several months ago about where this project was, only to learn—as stated in the letter that Mr. Hinson sent to all of you—that we had a very significant overrun several months ago.

We are committed to putting our arms around this project and we are going to do everything necessary, including ensuring that access is provided to whatever appropriate group. There is nothing to hide in this program. There are too many problems with this program to be withholding information from legitimate groups, and so I will work on that and make sure that we get the answers.

Mr. WOLF. Well, I appreciate that. Frankly, I don't think there should be anything withheld. I know that you agree. The one little item that is held back may be the information that gives us the opportunity to fix the problem.

Maybe this is almost your best case for your idea to privatize the FAA and from what I have read about it, I tend to support it. Setting up a corporation, as long as you do it in such a way that protects rights of the Federal employees who transfer, makes a lot of sense.

I have also been concerned, and we have shared this, that there has been too close of a relationship between individuals who have worked for the government and individuals who have been in the contracting area. Frankly, I think you have to watch that. At times I have seen witnesses testify and the relationships were too close; almost like they went bowling together. I think you have to be careful. Because sometimes when you become too close, then you don't ask the hard and the tough questions. I am not inferring any dishonesty or anything like that, but I just think it is something that ought to be carefully watched.

I wanted to—I have a number of other questions too, but I saw Mr. Slater get up, I think he just left, he was back there. I want to thank him publicly, and thank you for having him participate in this Beltway safety initiative. This is very, very critical.

We need a bypass in this Washington area, but it won't go forward until the governors reach consensus. Meanwhile, Mr. Slater has put a lot of time in and other DOT people have as well. I wanted to thank you for that.

RADAR DETECTORS

Mr. WOLF. I also wanted to thank you for taking the bull by the horns on the truck radar detector issue. I think you did the right thing. I am a little bit concerned how it is going to be enforced.

Now, say you stop somebody who is barrelling down the highway with propane gasoline in the back and he has a radar detector, so what do you do? Have you given that any thought? I mean it is banned, it is not allowed, but we stop them and what happens?

Secretary PEÑA. Well, there have been mixed reports on the sale of these radar detectors.

Mr. WOLF. Are they down?

Secretary PEÑA. They are down in some areas. There has been a little blip recently. But you are right, the next phase that we have to work on is the enforcement phase, but I will talk to Mr. Slater about that.

Mr. WOLF. If you could, and I think—because what I have been hearing is that there is currently a lack of consistency in enforcement. And in fairness to the truckers, some are under intense competition to get from point A to point B. These men and women don't want to speed, but they are saying I have to do it, because he is doing it. If there is no enforcement, after a while I think they will just kind of—like the Serbs in Bosnia—they will just kind of keep shelling. So if you could watch that and let me know what you are going to do.

WMATA SAFETY PLATFORMS

Mr. WOLF. A couple of other things on the Metro question.

Where are you on the Metro question with regard to the safety edge you have been looking at?

Secretary PEÑA. The little strips?

Mr. WOLF. Yes.

Secretary PEÑA. Well, I met with David Gunn the other day from Metro to talk about that. There had been an effort in the Department for some time to issue the standard for transit agencies.

As you know, we have had a number of deaths of people who have fallen off platforms. The question that Metro has raised is whether or not its particular lighting system complies with safety aspects and preventing accidents, et cetera. The argument they are making is that perhaps this other strip might have some unintended problems or consequences.

We have not made a decision on their request. We are looking at it. We don't know how much flexibility we have, but we will determine whether or not they have a unique circumstance. We haven't made that judgment yet. They presented their case to us. It was a very thoughtful session. And we will make a decision as quickly as we can.

ANTI-LOCK BRAKES

Mr. WOLF. Good. Okay. Anti-lock brakes required on most trucks. Where are we with regard to that?

I know that you are talking about—I saw an ad that with a nice photo of you. If you were running for office, that would have been a nice addition to your campaign. Something about a face that mothers will love.

Secretary PEÑA. My mom should see that one.

Mr. WOLF. Have you seen that?

Secretary PEÑA. I have seen it. It was a bit of a surprise when I saw it. There is a six month delay in publishing that in the Federal Register, but we are generally proceeding.

Mr. WOLF. That has been a big safety issue. Many say it could prevent—save hundreds of deaths.

Secretary PEÑA. I agree, Congressman. Let me just find out specifically. The rule making is in process, but I have been informed that there was a request for additional time for more comments to the rule making. So apparently we are responding to constituents

and others who want to comment on the rule making. But I agree with you, we need to get it done as quickly as possible.

[Additional clarifying information follows:]

NHTSA intends to complete a rulemaking on antilock brakes for heavy trucks no later than June 8, 1994. The Department published a notice in the Federal Register on December 13, 1993 to extend for six months the completion date of the rulemaking. The rulemaking period ends June 8, 1994. The large amount of interest, as evidenced by the docket comments to date, and the complexity of the issues related to the rulemaking have made the initial schedule impossible to meet.

USE OF IVHS FOR TRUCKS

Mr. WOLF. Okay. On IVHS, in your testimony you mentioned the increased funding, and I share that, although I hope that we are watching it carefully to make sure that we are carefully targeting resources. But are you talking about making that applicable in truck safety, particularly in the areas of weigh-in motion (WIM) systems and electronic license plates?

Secretary PEÑA. Let me generally respond and then be more specific.

I agree with you 100 percent that we need to ensure that these millions of dollars that are being invested in these new technologies is being done for very productive technologies. In the short time that I have been here I have observed that so many times we engage in research programs and two or three years later we spend hundreds of millions of dollars and we have no product.

I have been very direct with our entire Department about our investment in intelligent vehicle highway system technology. Specifically, we are reorganizing the activity.

There will be one person in charge of the entire operation. Because right now we have Federal Highways taking part of the lead, we have other agencies in the Department making investments and it has not been as focused as I would like. So we are going to do that first of all, and that is already occurring.

Second, we are going to set up very specific targets about what outcomes we want to see as a result of this investment. The kinds of things that we are looking at, for example, are road-side safety inspections, electronic payment services, including toll, parking and transit fare collections, improving safe operation of vehicles, driver monitoring and collision warning. I think there are many more applications for this technology, for example, along the borders and bridge crossings.

If we could use that technology to get trucks over bridges more quickly, we wouldn't have the delay and congestion we see at a lot of border crossings. We could avoid the necessity of building a three or four or \$500 million bridge. We think there are many more applications for this technology that we haven't focused enough on as respects real outcomes, I am committed to making sure we do that.

Mr. WOLF. Well, I think that is good, because it is an exciting system, and I looked at some of the sample cars at last years' exhibit. You really want to see that we get something more from the money. I also think you have to be careful about how this technology is used.

That day I was up there the Japanese were all over the place snapping photos. They also now belong to IVHS America. I ex-

pressed some concern last year about some losing our technology and then seeing it developed offshore. So if you could be sensitive to that.

AIRPORT SLOTS

Mr. WOLF. High density airport slots. I don't want to spend a lot of time on this, but I do want to raise it for the record and give you a chance to comment.

Dulles Airport is in my district, National Airport is not due to redistricting. Seven years ago we crafted a very careful compromise to transfer both of these airports from the operation of the Federal Government, to a regional authority. This authority is doing an excellent job. Although I don't represent Arlington County any more, I feel a commitment and I will do everything I can to keep that compact, that agreement whole.

There is one airline currently petitioning the DOT, Business Express, a Delta subsidiary, that wants to use the commuter slots at National for larger planes.

I would urge you not to grant that. This, frankly, should not have been one that was ever considered in the House reauthorizing legislation.

To open this up to an "aluminum sky" policy where we are going to put more jets in the air would destroy the transfer agreement. I am going to fight it even though there are some things my colleagues may not like about that. And I don't represent the area around National.

I am not trying to put you on the spot, maybe you want to answer it and maybe you don't. But I want you to know publicly how strongly I feel about not breaking the compromises that have been put together over many, many, many years.

Secretary PEÑA. Congressman, we hear you. As you know, we are doing a study of slots at the four slot airports across the country. That will take us some time to do, but we will be thoughtful about those concerns.

Mr. WOLF. I would appreciate it. Frankly, I don't think this one should even have been in. For the record, when do you think you will be finished with that?

Secretary PEÑA. We are hopeful that sometime this fall we will have that work completed.

Mr. WOLF. Okay. I know the Chairman wants me to hurry. Let me just mention, There is one question I will submit for the record with regard to inequities in the regs governing domestic carriers, but not foreign airlines, such as the so-called "killer cup" rule. I will just submit that for the record.

AIRBAGS AND CHILD SAFETY SEATS

Mr. WOLF. Babies and airbags. You have seen the latest study with regard to airbags and children. Do you have any comment?

Secretary PEÑA. Absolutely, Congressman. We are doing a rule-making that will require that the manufacturers of the car seats indicate very specifically that rear-facing car seats, are not to be on the front seat if you have an airbag. We also worked with the industry, I think a year or so ago, to also have a warning on the

visor. We are going to do much more public education in this area too. We started it last week and we are going to do much more.

Unfortunately, I think parents are not aware of the fact that if you have an airbag in the driver side front seat, you ought not to have the car seat there with your child in it at all. My recommendation is even if it is a forward facing seat, it ought to be in the back seat. I have two small baby girls and I don't let them ride in the front, I put them both in the back. But with an airbag, it is a particular safety issue.

Mr. WOLF. Well, I think the more you do publicly, the better, because a lot of cars are purchased and moms and dads are out there now with these seats and get in an accident are unaware of the danger of smothering or killing a child when an airbag inflates.

I will just ask two more and they will be really, really short.

OFFICE OF INSPECTOR GENERAL BUDGET

Mr. WOLF. I notice in the budget justification for the Office of the Inspector General, they indicate for every investigative dollar spent in this office, \$4 have been recovered or saved. Given that performance record and the fact that we have given the IG additional audit duties, is it wise to cut the IG's office back?

Secretary PEÑA. Congressman, we had to make cuts throughout the Department.

Mr. WOLF. I know. But sometimes—well, go ahead.

Secretary PEÑA. We had to make difficult decisions and try to balance the needs of the Department. The IG does great work, and it was just one area where, along with many other agencies in the Department, we had to cut back. We have an FTE goal we are trying to meet. It is a pretty tough one. But I think we have to do it. So we have asked every agency, no matter how important and valuable to the Department, to make some tough decisions.

Mr. WOLF. Well, be careful though, because sometimes if you cut the one or two watchdogs back that could catch something, you really don't save any money. And there is so much going on.

I think it is important to have a good IG. I think it would be helpful if you put out a memo telling all of your political appointees to read all of the IG reports that came out with regard to their area. I have read a number, some that shocked me, and if I were the administrator of that area, I would be concerned.

But I think it would be a good idea to have all of the IG reports read by the administrators in the area.

FAMILY FRIENDLY POLICIES—TELECOMMUTING

Mr. WOLF. The last question that I will ask verbally here deals with what I call family friendly policies. The American family is under more pressure today than any other time in the history of the country. I mean from child abuse, spouse abuse, teen suicide, teen pregnancy, teen violence, it is all going the wrong way. The family is unraveling.

We have put language in with my legislation to create the day care facilities in the federal government. There are now 100. You have one operating over there. I just want to make sure, and I think you are, but that you are sensitive to alternative work sched-

ules like flex time. Also, we have language now to allow certain Federal Government employees to work at home.

There is nothing magic about strapping yourself into a metal box and driving 35 miles in rush hour traffic in L.A. for an hour-and-a-half or two hours, and getting in and then sitting at your desk with a fax machine or something like that. We now have telecommuting centers, four that we are piloting in this region and I hope they are successful. I was going to put an amendment on the earthquake supplemental requiring an emphasis on telecommuting, but it might have complicated the bill. But telecommuting is very important.

It is important for the environment, it is important for alleviation gridlock, but it is more important for a mom or dad to spend more time with kids. If you get up in the morning and live in Woodbridge and drop your child off at Rinky-Dinky Day School and drive that hour up on 95, and then the hour back home to pick up your child, isn't it better to have your child with you for the hour that you are coming up, available for you to see at lunchtime, and at the end of the day to drive home together? Because values are taught. You want the Peña kids to have your values. You just don't give kids a list of values. Values are taught.

You should strive to make yourself the leader in the Clinton administration. Because frankly, when I look at the work policies of the White House, the work policies of the White House are a prescription for disaster for any family relationship. To work in the Clinton administration White House from the stories that I read of people getting up early in the morning and staying late at night and no one is home, it is a disaster.

Now, let me just say, I was just as critical during the Bush administration. There was a guy who was a constituent of mine, and I used to read in the paper that he would spend the night in his office. He had five kids at home. That is ridiculous.

I would like you to say that you are going to be the most family-friendly Secretary in the Clinton administration. That you will promote flex time, flex place, job sharing, leave sharing and your child care facilities.

And lastly, if you can look at the possibility of developing scholarships over there, because you got a single parent who can't afford maybe the upscale and to come up with some programs to help to raise some money to help those people.

If you have any comments about that, that is my last question.

Secretary PEÑA. Very briefly, Congressman. We have opened up three or four telecommuting offices, funded by FEMA. I am talking to the mayor of Los Angeles and the governor about how we can institutionalize the changes that have resulted because of the earthquake so that they stay in effect post-earthquake repair, and that is one of them.

Second, let me say that I understand what you are saying about how all of us work very hard in the administration. I want you to know that at the very first meeting that the cabinet had with the President in January last year at Camp David we talked about, and the President talked about, how important it was for all of us to stay close to our families. He raised the issue with us. We talked about things that we could do to ensure that, for example, we knew

who the teachers were of our kids. Little simple things that often-times we take for granted as parents.

I want you to know it is something that we do talk about in the administration. It may not appear from the work schedules that we keep, but it is something that is important to all of us. But I appreciate your concern.

Mr. WOLF. If you could look into and have somebody talk to me about the participation on flex time use. Also we are getting comments back from people that live in Maryland and Virginia that their agencies aren't allowing telecommuting. One person called and said that was only for somebody that was handicapped.

If you could just put a memo detailing the availability of flex time, flex place, telecommuting, job-sharing, etc. to make sure that these programs on the books are being offered to employees.

CHILD CARE CENTERS

Mr. WOLF. The other question that you didn't answer, and I guess I covered it, was what are you doing on child care? Do you have a method to deal with the scholarship basically for a single parent, GS-7 versus a GS-15? How do you treat that?

Secretary PEÑA. Let me look into that. I know we have the child care facility at the FAA. It is going very well. But let me look into the last question. I don't know the answer to that question.

[The information follows:]

Since 1991 the Department has required its child development centers to provide a tuition subsidy or scholarship program to help defray the cost of child care services for employees who cannot afford to pay the full cost of tuition. Each center determines the eligibility requirements, qualifying criteria and review process for disbursing funds that are set aside for tuition assistance from the Combined Federal Campaign and fundraising activities.

The child development centers maintained by the United States Coast Guard, except for the headquarters' facility in Washington, D.C., began offering a sliding fee schedule in 1993 to help with tuition costs. The Coast Guard's Headquarters' facility is planning to offer a tuition subsidy or scholarship program in the near future.

Mr. WOLF. Well, Mr. Secretary, I thank you a lot and I will just submit more questions for the record.

GPS SIGNALS FOR CIVILIAN APPLICATION

Mr. WOLF. You are requesting \$46 million (a 53 percent increase) in the budget for the FAA and Coast Guard to advance the civilian application of GPS. This will greatly enhance our ability to determine the location of planes, ships, and surface vehicles. However, just last week, it was reported in *Aviation Daily* that the Defense Department is still reserving the right to degrade GPS signals to civil aviation users without notice in case of a national emergency and on 48 hours notice under other circumstances.

Since this poses a major question of system reliability especially for civil aviation users, what progress is being made between the DOD and DOT on a compromise?

[The information follows:]

The Federal policy on the availability and reliability of GPS signals for civil positioning and navigation services is set forth in the 1992 Federal Radionavigation Plan (FRP). Under this policy, a recommendation by the Department of Defense (DOD) to degrade the signal available for civil use would involve a national emergency and require approval by the President. There has been no change in that policy. As part of the ongoing process between the Departments of Defense and Trans-

portation (DOT) for improving civil use of GPS, the DOD has agreed to notify the Federal Aviation Administration within 48 hours with regard to certain changes to signal components within the overall specification. A joint DOD/DOT technical group is examining the way these signals are generated, and will be considering both civil benefits and national security risks in its deliberations on further improvements to the signal availability and reliability.

Mr. WOLF. Also, if we do achieve civilian application of this system, what safeguards can be built into the system to prevent its use by terrorists or other criminals?

[The information follows:]

The principal national security concern regarding GPS is its use on the battlefield by forces opposed to U.S. troops and our allies. Current use of encrypted signals for use by the U.S. military and allied forces, together with other countermeasures are believed adequate for maintaining our military advantage.

We recognize that worldwide availability of GPS could allow its misuse by terrorists and criminals, and these elements may attempt to use or disrupt it for unintended purposes. We are developing options for dealing with such misuse which will ensure that the tremendous civil benefits from GPS are not lost. Indeed, some of these benefits relate to use of civil GPS by law enforcement authorities.

AIR SAFETY REGULATIONS OF U.S. CARRIERS VS. FOREIGN CARRIERS

Mr. WOLF. According to the Air Transport Association in testimony before this Committee, there are several discrepancies in safety regulations imposed on domestic and foreign carriers, even while operating in the U.S. one of these is the so called "killer cup" rule which precludes flight attendants from collecting service products while the plane is taxiing. This applies to domestic carriers, but not to foreign carriers operating here. Another discrepancy, according to the ATA, is in de-icing regulations. At the gate, all carriers must go through the same procedure at U.S. airports. But if the carriers pull away from the gate and there is a delay, U.S.-flag carriers may have to repeat the de-icing procedures where the foreign flag carriers do not, even though there will doubtless be many U.S. citizens on that foreign carrier.

Other discrepancies occur in such regs as drug and alcohol testing and width of passageways to overwing exits. Last year, I questioned the FAA about these discrepancies, particularly when the carriers are operating on U.S. soil, and, frankly, the answer was a bit lame. The answer was basically that requiring the foreign carriers to conform to the same regs would amount to rejecting the concept of international conventions and would be difficult to enforce.

Given that the purpose of these regulations is the safety of the flying public, wouldn't it make sense to require uniformity for all carriers while operating at U.S. airports?

These discrepancies obviously put domestic carriers at a competitive disadvantage. In light of the administration's attempts to help the airline industry, wouldn't this be a good place to start?

[The information follows:]

Before promulgating any regulation, the FAA considers the safety data, to include accident and incident reports, cost information, international considerations, and through forums such as public meetings and the Aviation Rulemaking Advisory Committee, information from all interested parties. A proposal is then published for comment that specifically requests information from the affected public. These often result in comments from foreign air carriers and foreign governments as well as affected U.S. parties.

In a notice of proposed rulemaking published on February 15, 1994, the FAA stated that it would impose drug and alcohol testing requirements on foreign air carriers operating within the territory of the U.S. by January 1, 1996, unless bilateral or multilateral action through the International Civil Aviation Organization (ICAO) was undertaken to address the threat of substance abuse in international civil aviation. Given the sensitivity and complexity of this issue, the FAA stated its preference for multilateral ICAO action rather than unilateral U.S. action.

In reference to the overwing exit comment, we are not able to confirm the extent to which foreign regulatory agencies have or have not adopted U.S. requirements. We are, however, aware that several foreign operators are, or are in the process of, voluntarily complying with the U.S. requirement. Since the interior reconfigurations required do not involve any loss of passenger seating, we feel it would be difficult to make a case that these reconfigurations place U.S. carriers at a competitive disadvantage to those foreign operators who do not conform. To the contrary, it would seem that U.S. carriers in compliance with the rule would enjoy a clear marketing advantage due to the obvious improved evacuation access when there is no penalty in seat loss.

Likewise, it is our experience to date that the foreign air carriers do not have any significant competitive advantage as a result of the de-icing regulations. The FAA solicits specific information from anyone who can cite an instance of competitive disadvantage as a result of the application of this or any other rule. The competitive effect of its rules is an important consideration, and the agency would be willing to consider amendments that do not adversely affect the overall level of safety achieved by this rule. In addition, it is important to note that the International Air Transport Association (IATA) is addressing this issue through an IATA global de/anti-icing forum whose purpose is to develop an ICAO ground deicing standard. The FAA fully supports this effort.

In response to the comment on the "killer cup" rule, the FAA policy currently is allowing service items (cups, glasses, snack trays) to be picked up during surface movement (taxing before takeoff). Flight attendants are not, however, allowed to serve food or beverages while the aircraft is taxing. The FAA continues to study this matter, and believes the present situation is reasonable.

Finally, it is neither possible nor desirable to arbitrarily impose all of our operational requirements on foreign air carriers. Attempting to do so could result in U.S. operators having to conform to a plethora of foreign operational requirements when flying into foreign markets. As a more desirable approach, and one that ultimately benefits U.S. operators, the FAA, works constantly in ICAO for improved worldwide safety standards. A major effort to achieve harmony now is underway with the Joint Aviation Authorities of Europe. While this effort may not eliminate all variations between the sovereign nations' regulatory standards, it does represent a concerted, cooperative effort. The United States' leadership in international air transportation safety is recognized throughout the world. We must, however, continue to follow our statutory mandate to regulate U.S. air carriers recognizing their duty to exercise the highest degree of care in the public interest. At the same time, the United States must continue to honor its international treaty commitment to recognize the sovereignty and responsibility of other nations for the safety of their operators and airspace.

Mr. WOLF. Thank you, Mr. Chairman.

Mr. CARR. Thank you. In Detroit we don't refer to automobiles as metal boxes. We refer to them as personal transportation and fantasy machines.

As you know, it is my normal practice to call on people in the order that they arrived for the hearing, and that is a practice I will continue this year. But I would ask right now if there is any objection to allowing Mr. Durbin to go out of order since he is in the process of chairing a hearing in another room. Mr. Durbin?

SMOKING ON PUBLIC CARRIERS

Mr. DURBIN. Thank you very much.

Mr. Secretary, I will try to be very brief. I have three areas, I would like to discuss. I will ask my questions as quickly as I can.

First, this morning at about 9:15 I was at a press conference with Administrator Browner where it was announced that McDon-

ald's hamburger restaurant chain was going smoke-free, along with many other chain restaurants across the United States. I personally applaud this action and think it is a step in the right direction for our kids and everybody else.

We have taken some steps on this Subcommittee over the years in that direction, particularly in eliminating smoking on airplanes for domestic flights. But I fear that there are still some items on that agenda that have not been addressed. International flights, number one.

Number two, Amtrak. We continue to receive complaints about the policies on Amtrak.

The President has made it clear in his smoking policy in the White House where this administration is on this issue. Shouldn't we make it clear from a transportation viewpoint in terms of smoking on public carriers as well as advertising of tobacco products on public carriers? Don't you think it is about time that we made it very clear, that that is something that is unacceptable and inconsistent with our nation's efforts to come to grips with its health problems?

Secretary PEÑA. Congressman, you and I have talked about the policies that I initiated years ago back in Denver to deal with this issue, and received a little bit of flak from some about it.

Mr. DURBIN. Received a lot of flak, and I admire you for what you did.

Secretary PEÑA. But we are committed to it. Let me, first of all, thank you for reminding me about the Amtrak situation. I will raise that with Tom Downs and the Amtrak board as soon as we can.

Second, the question of the international flight, that is something that we are pursuing in an international forum to see if we can get uniformity among the various countries and carriers to do this. We are making some progress. It is not as much as I would like, so we are going to continue to hammer away at that, and whatever other opportunities there are in the transportation arena that we will be happy to look at those.

Mr. DURBIN. I would like to work with you on that, and maybe, with Administrator Browner joining us this morning on this issue, we can find some common ground to state a policy that there won't be any secondhand smoke on any carriers that receive Federal assistance and that we will no longer have advertising of tobacco products on mass transit or any other area that receives Federal appropriations. I would like to work with you on that.

AIR CARRIER SLOTS AT O'HARE INTERNATIONAL AIRPORT

Mr. DURBIN. The second issue is one which is closer to my home and relates to O'Hare Airport. We had language in the last appropriations bill about the slot rule. I have a series of questions here and I think I know the answers to most of them. But I really would like you to tell me, what you think of our concern that we are giving away slots for domestic carriers in the United States to foreign carriers to come into O'Hare. For example, where we don't have reciprocity, where in fact we cannot land at London Heathrow, we give British Airways a slot that is presently being used by American or United?

Or where we might have a Romanian airline wants to land at O'Hare and offers to the American carrier the opportunity to land at Bucharest. There seems to be a problem there in terms of equity.

Let me add another final element. Many of these slots are being used by small cities in the Midwest for commuter service. They are losing opportunities to link up with O'Hare and other flights because we are giving slots away to international carriers. Where are we headed in this area?

Secretary PEÑA. Congressman, I am troubled by the past policies which allowed us to convey these slots to foreign carriers without a very specific set of criteria in making those judgments. It wasn't clear to me in past decisions what analysis we were doing to reach that conclusion. For example, the one you have touched on, what is the reciprocity involved? Is the other country amenable to equal access or some reciprocity?

That is one of the reasons that we are doing a slot study of all of the four major airports to rethink these policies. But it has been said that in the past they were made in such small amounts, for example, at O'Hare, that it wasn't a very significant problem.

I would agree with you that the requests are increasing now, we are now getting into larger numbers, and for legitimate reasons, the airlines are raising questions about these slot decisions. I am very sensitive to them, and we will monitor them very carefully. When we complete that study, we will have much better guidance on how to deal with this in the future.

Mr. DURBIN. We put a moratorium on slots to international carriers in our last appropriations bill. Unless we can come up with a sound policy between this discussion and the formulation of our appropriations bill, I will have to ask for it again. I don't think it is the best way to deal with it. I think as you have described, we ought to take a closer look at reasonable solutions rather than just saying there will be no transfer slots. If we can do that on a fairly quick basis, it will be helpful.

HIGH-SPEED RAIL

Mr. DURBIN. The final area of questioning is high-speed rail. I stood next to you at the press conference a little over a year ago and was looking forward this year to presenting a proposal for the Midwest that is near and dear to my heart, the St. Louis Chicago high-speed rail route. But it appears that we have taken a step backward in this year's appropriation. There is money for technology, but no money to move forward.

Is this a reflection of budget deficit reduction?

Is it a reflection of a change of heart by the administration, or is it a reflection of an unclear signal from Congress as to whether we are going to support this program?

Secretary PEÑA. I would say it is the first option, the budget authority problem, not a change of heart. What we are doing with the \$32.5 million is, number one, completing the commercial feasibility study that was required by ISTEA that we never did. This will give us a national study that indicates what corridors are feasible, how will the program operate. Two, investment in technology will help us reduce some of the costs that we now face in terms of electrifica-

tion. If we can get nonelectric locomotives, that reduces the costs significantly.

So all of that has to be done. But I think once we do that, we will be able to come back with a total comprehensive policy, and that is where I would like to get. I spoke to the President about this during the budget sessions. He is interested in the area. The sense was that given the other priorities in the budget, we weren't able to fund it as much as we would have liked to this year, but we still want to move forward in that area, and that means that we will probably have to make adjustments to the legislation which is going through the House and the Senate to reflect the changes that we have come up with.

Mr. DURBIN. Thanks, Mr. Secretary.

Thank you, Mr. Chairman.

Mr. CARR. Thank you, Mr. Durbin. Next, Mr. Foglietta.

TRANSIT OPERATING ASSISTANCE

Mr. FOGLIETTA. Thank you, Mr. Chairman.

Mr. Secretary, last year's budget broke the trend of 14 years by demonstrating a genuine commitment to public transit. You and President Clinton requested significant increases for transit. Chairman Carr and this subcommittee delivered the funding to transit systems across the country. This year again I am pleased with your request for a significant increase in transit capital.

However, like many of my colleagues and the Chairman, I am quite disturbed by the significant 25 percent cut in operating funding.

Now, transit systems certainly need help in building—in rebuilding their infrastructure to increase ridership and fare box revenues. But the corresponding cuts in operating assistance could very well negate any improvements brought about by the increased capital funding. In a survey conducted by the American Public Transportation Association, 120 transit agencies reported that they would have to raise fares, cut services, or lay off workers to absorb the reduction in operating funds.

In my city of Philadelphia, I am told that SEPTA, Southeastern Pennsylvania Transit Authority, would have to raise its base fare by at least 15 cents, and it is already the highest in the country. Now, what good do new trains and buses do if the system can't afford to run them and people can't afford to ride them? You accept the fact that raising fares will move customers away from transit. How and where are you suggesting transit systems get the money that they will need to run these new trains and new buses?

Secretary PEÑA. Congressman, let me say at the outset before I answer your question specifically that there is legitimate disagreement here. I have spent a lot of time on this issue. I wish I could say that we speak with perfect knowledge, but I don't think we do.

What we have tried to do is to be as strategic as we can from the federal level in making our investments in transit. We chose to make what we perceive is a more strategic investment in the capital side for the following reasons. We know that new buses will reduce operating costs by having more fuel-efficient buses.

We know that we will reduce maintenance costs by having buses that are not over-age, as we do today. We know that investments

in equipment and machinery will also reduce operating costs for the transit agencies. We hope that new buses will attract new riders, which will increase revenue for those transit agencies.

So we think that in that sense, our investment on the capital side has a very direct impact on the operating side for those transit agencies. Now, having said that, I very much appreciate the immediate impact that a reduction in operating assistance has for those transit agencies. I would, however, question the kind of impact that I have been hearing from some of the transit agencies.

For example, let me respond to Philadelphia. Right now, the federal dollars that go for operating assistance cover 5 percent of Philadelphia's operating costs. With the 25 percent cut that we are recommending, our federal share goes down to 3.8 percent. I would argue that a transit operator ought to be able to find a way, given a 19 percent increase in capital, to make whatever adjustments, with some lead time and with some notice, in their total budget to respond to the operating cuts.

I would question, frankly, the suggestion that it is this relatively modest cut in comparison to others, which is driving fare increases. We will take responsibility for some of it, but I would suggest that a 25 cent fare increase cannot be attributed solely to this decision.

So having said that, I have some strong feelings about it. We recognize that this is putting some pressure on the transit agencies. We are hopeful that they can make some adjustments with the new capital we are providing. I think long term we are going to have to sit down with APTA and others and find a common ground on how we are to proceed. This kind of a year-to-year budget challenge is not going to go away. Hopefully, we will find a way to address it.

Mr. FOGLIETTA. I assume from what you are saying that this is not a change of thinking, but rather almost experimental for a year to determine just how we are going to proceed with the funding.

Secretary PEÑA. This was our decision for this budget year. We thought that given our priorities to make strategic investments, this was far more strategic than on the operating side.

Mr. FOGLIETTA. Yes. Because in your Goal 4 you talk about the environment.

Secretary PEÑA. Yes.

Mr. FOGLIETTA. Cleaning up the environment, and it has been stated and proven that there is no way that we can better clean up the environment than get people out of automobiles—excuse me, Mr. Chairman, and into public transportation. So that is another reason why I believe that we should be encouraging public transportation.

LIVABLE COMMUNITIES INITIATIVE

Mr. FOGLIETTA. Another issue that I am very interested in, Mr. Chairman, is linking transportation investments, and I think you mentioned this earlier, with economic—and community development. It is my belief that transportation dollars can leverage significant and sustained economic development, especially in disadvantaged communities. I have noticed in the budget a new program entitled the Livable Communities Initiative. It sounds like it takes a broader view of transportation investments.

Will you share with us your vision for this program and some ideas you may have on it?

Secretary PEÑA. Congressman, I would be happy to. It precisely answers the question you have raised and that is to encourage localities to think more comprehensively about their investments. I use the example of the station in Oakland where they are now beginning to think about how that transit station will connect to the small retail stores about a block-and-a-half away from that transit station, how it connects to the health care facility in that area, how it can improve the overall quality of life for people around that transit station.

We need to think about how we can affect growth and zoning issues. For example, if we are going to build a transit station in a suburb or an outlying part of the city, ought we not to be encouraging also residential development and offices around that transit station so that people would walk to the transit station. That is the kind of thinking that we are encouraging with this Livable Communities Program.

REDUCING CRIME ON PUBLIC TRANSIT

Mr. FOGLIETTA. Another area is the area of crime and anti-crime measures in transportation. One of the most pressing issues facing this country today is the seriousness of crime, and one of the things that moves people away from mass transit is crime on public transit.

I was very impressed by the project between Vice President Gore and Secretary Cisneros, Operation Safe Home, which brought together law enforcement agencies and housing officials to fight crime in public housing. Have you considered developing a similar comprehensive anti-crime strategy, "operation safe ride", to attack crime in transit systems, and can you tell me what you and the Department are doing to encourage innovative strategies to fight crime in transit systems?

I would encourage you to use your discretion to support innovative projects to encourage ridership by making transit safer.

Secretary PEÑA. I agree with you, Congressman. We are working on that, and just very recently this week we were having a discussion about the crime bill. We are thinking about how we can participate in some direct fashion in that crime legislation. But this is an area that we are going to pursue, and we are already starting our work on that project.

ISTEA FLEXIBLE FUNDING

Mr. FOGLIETTA. One last question, and that is earlier this year, hearings were held to determine the level of success of ISTEA's flexible funding provisions. Could you briefly update the Subcommittee on the progress toward greater use of flexible funds for transit purposes and what steps is the Department taking to encourage state departments of transportation to make better use of this flexibility? And is there anything this committee can do to help in this process?

Secretary PEÑA. Congressman, we completed 10 regional hearings last year, gathered very valuable information from the partici-

pants and will be issuing a final report very soon. But let me summarize some of the findings that we learned in these field hearings.

One was that ISTEA is essentially working, that we ought not to make major revisions to ISTEA.

Second, people like the flexibility requirements of ISTEA. We have seen that in the transit area we are up to about \$950 million cumulatively over the last two or three years in the amount of money that has been shifted from highway funding to transit funding.

In the broad scale, that is not a lot. It is an increase, but it is still not a lot from a percentage perspective. We are doing more public outreach, more education, providing more technical assistance to the MPOs throughout the country, because we are finding that in some communities and in some States there still isn't a lot of understanding about the flexibility provisions in ISTEA and how they actually work and how they are available.

So as we have more educational sessions and training sessions, and we have started them already, I think that will be very helpful.

We have found that thus far over the last three years, 42 states have started to use highway funds for transit projects, but again, in terms of the total dollar amounts, while they have gone up from a percentage perspective, it is still a relatively small amount of money that is being transferred.

Mr. FOGLIETTA. I thank you, Mr. Secretary, and I thank you, Mr. Chairman.

FEDERAL ROLE IN LAND USE DECISIONS

Mr. CARR. Next, Mr. DeLay.

Mr. DELAY. Thank you, Mr. Chairman.

Mr. Secretary, I know it has been a long morning for you and I will try to keep my comments brief. I have some prepared questions and I want to get into a couple of them. I was really intrigued by your brochure and compliment you on your aggressiveness and activism that is highlighted by this brochure, and some of it I am very excited about.

However, I looked at Goal 5, actively enhancing our environment, and I am rather concerned by some of the objectives that you have listed, and I want to make sure that I understand where the Department is headed. My number one concern, and number three in the brochure, you outline, encourage and reward efforts by state and local governments to integrate transportation and surrounding land uses.

Could you expound on this? Is the federal government now going to get involved in local zoning?

Secretary PEÑA. No.

Mr. DELAY. And land use.

Secretary PEÑA. Congressman, as a former mayor, we better not. I think in response to the Congressman's question earlier about the example I used in providing planning grants for those communities who want to be more thoughtful about how they integrate, for example in this case, a transit station to the surrounding neighborhood. These are the kinds of things that we want to encourage people to do. Obviously, we very much understand that local zoning

regulations are issued by city councils, primarily, and that those decisions are for local governments. But we are trying to encourage people to be more thoughtful about how they plan and integrate their transportation investments, and that was an example that I used.

EPA CONFORMITY RULES

Mr. DELAY. I appreciate that. Because Houston, once again, recently defeated zoning. Houston is the largest city in the world that doesn't have zoning.

I want to combine number two and number four, because we have found it in Houston and in discussing it with my colleague from Ohio, Ohio is finding the same problem. When you talk about promoting congestion reduction and management strategies and then working closely with the EPA and DOE, and wanting to implement fully the Clean Air Act amendments, we find one particular problem, and I am sure there is even more than this, but it is a good example of where the left-hand may not know what the right hand is doing.

In Houston's attempt to reduce congestion in order to lower the noxious fumes that are coming from vehicles sitting on freeways, we find that as we lower congestion, we may be violating a Clean Air Act problem in a nonattainment city of creating more nitrogen oxide emissions by having faster movement of traffic. So we have got a real problem here. Hopefully, you and EPA and some others are going to work this out so that we are not penalized for doing a good job in moving traffic and certainly encouraging people to use more mass transit.

Secretary PEÑA. I agree, Congressman. That is precisely why we have formed a very good working partnership with EPA to avoid those kinds of left-hand/right-hand dilemmas, and we are making some progress in that area. I would have to say that this is probably the first time that our two departments have worked together to try to work consistently.

Second, again, understanding and appreciating the pressures that local elected officials face, we think that a very constructive role that we can play at the Department of Transportation is to bring special cases to the attention of EPA. Oftentimes, however supportive we are of the Clean Air Act, because it has such a broad sweep, it has peculiar impacts on certain communities that no one thought about.

We have got to find a way to be a little flexible so that we don't have inappropriate results as you are suggesting. That is why we want to work closely with EPA and DOE and others and of course the MPOs, to make sure that we get the job done.

GLOBAL WARMING INITIATIVE

Mr. DELAY. I am glad to hear that, and I am sure a lot of our local communities will be looking forward to the outcome of the two Departments working together.

Number six, maybe I missed something, but I have never seen the President's global warming initiative.

Secretary PEÑA. Oh.

Mr. DELAY. Could you describe your budget, I think I added it up correctly. The administration is proposing \$238 million to go towards the President's global warming initiative, \$2 billion over five years. Just in 1995 alone, according to our estimates in the President's budget, a 529 percent increase over 1994 spending.

I don't know about you, but I didn't see a whole lot of global warming this last winter in this town. And there is scientific evidence that is constantly coming forward, particularly in the last year, that seems to refute some of the science, so-called science. My education is in biology and biochemistry. I have yet to see scientific evidence that proves global warming as a phenomenon or the greenhouse effect.

Yet we are proposing \$238 million in 1995 and \$2 billion over five years for something that science hasn't yet agreed on. Can you tell me what is the transportation element of this global warming system?

Secretary PEÑA. Congressman, the President did announce a major global warming initiative several months ago, and I participated in that statement. There are a couple of areas where we are involved. One that we are working on immediately is this notion that started in California. That was to encourage companies that currently provide subsidies for parking to transfer those subsidies in cash so that employees could be encouraged to use transit. That was part of our global warming piece.

The second has to do with the CAFE standards. That is going to take at least a year to do, or more. So that is another major component that DOT will be involved in with a number of other departments, to rethink the whole CAFE situation.

TRANSIT FULL FUNDING AGREEMENTS

Mr. DELAY. Very quickly, Mr. Chairman, and I am timing myself. I have only had four minutes.

The administration's budget proposal limits new start transit funding to those projects that are currently under full funding contracts. In the past, FTA counselled Houston Metro that a full funding grant agreement was neither necessary nor advisable. Nevertheless, it has treated Metro as if such an agreement was in effect.

More recently however, FTA's Regional Administrator, Mr. Hare, has recommended that Metro enter into a full funding agreement with the FTA. What assurance can you give that the language in the budget is not intended to penalize those entities that relied on FTA's assurances that a full funding agreement was not necessary nor penalize those entities who are now entering into full funding grant agreements with the FTA?

Secretary PEÑA. Let me speak generally first, Congressman, and then try to respond to the Houston situation.

We had to make some tough decisions in this budget. One of them was to focus—and it is reflected in our goals—on trying to complete what we have started as a Nation. We have so many projects that are ongoing. I won't talk about all of them today. We need to bring some finality into what we have invested in thus far.

That was the notion, to say if we don't have a funding agreement in place now, we will not fund new starts. However, we also have a little flexibility and will work with those entities that can accom-

plish a full funding agreement by September of this year, for example. As respects the City of Houston, I have some information about it. I would like to review the statement that you have made about specific commitments that were made to Houston by the FTA staff. Obviously, if commitments have been made we want to—we have to fulfill those commitments. So let me review that particular issue.

Mr. DELAY. Well, the heart of Houston's successful regional bus plan is the use of high occupancy vehicle lanes or transit ways which have been well received by the public and have proven, frankly, to be one of the most cost-effective methods of achieving high-capacity mass transportation.

In fact, we now suspect that the cost of first ridership in Houston now is below \$3. And we are moving more people on our transit ways than rail systems are moving in theirs. That is what I understand.

As you know, the statutory definition of a fixed guideway includes any public transportation facility which utilizes and occupies a separate right of way, including exclusive facilities for buses and other high-occupancy vehicles. That is a quote. Since 1983, this Committee has recognized that Houston's system falls squarely within the four corners of this definition and therefore qualifies as a section 3 new start project.

Given the tremendous success of this project and given the continued support of this fixed guideway project from this committee, can you expand on the Department's thoughts regarding the cost index and effectiveness of this particular transit system?

Secretary PEÑA. Generally speaking, Congressman, we agree that the fixed guideway concept and operations are very cost-effective and we support them. Interestingly, we are having this very same discussion in Los Angeles on the Santa Monica Freeway to try to encourage HOV lanes which were rejected by the community about 18 years ago on the theory that the agency was taking a lane from the public. We are trying to encourage more of these throughout the country, and obviously we agree with the cost-effectiveness that you have talked about.

NEW AIR CARRIER CERTIFICATES

Mr. DELAY. There is a couple of more I would like to submit for the record, Mr. Chairman. Just one more thing that really disturbs me. The National Commission to Ensure a Strong Competitive Airline Industry cited increased competition as something that is to be encouraged. Thus, it would seem clear that crucial ingredients in an effective airline industry are new carriers.

In January of 1994, the aviation initiative proclamation stated that the Department will, quote, provide substantial guidance and assistance to new entrant applicants in perfecting their applications and will seek to minimize barriers to new entry to ensure that new firms are not prevented from entering their line of business. To date, what specific guidance and assistance has the department provided to ATX in helping them perfect their application?

Secretary PEÑA. Congressman, I assume, and I don't know specifically, that the same general information and guidance was provided to ATX as with other carriers. We are very committed to en-

suring more competition, and that is why we have seen so many new start-up carriers become operational in the last year or so. As you know, in the ATX matter, there was litigation brought by other parties. An administrative law judge has ruled on the ATX matter. It is still pending. But I believe the hearing officer's finding comes to me, and so I will not be able to comment publicly on that issue, since I will be acting as a judge.

Mr. DELAY. The Department required that ATX application required oral evidentiary hearings which were held over seven months. It is my understanding that in the past, evidentiary hearings have been required almost exclusively for cases where citizenship of the applicant was in question. Citizenship is not in question with ATX. Since 1988, roughly—do you know how many applicants the Department has processed?

Secretary PEÑA. Not offhand, Congressman. I would have to find out.

Mr. DELAY. Would you provide that for the record?

Secretary PEÑA. I would be happy to.

[The information follows:]

Since 1988, the Department has received 134 applications for new air carrier certificate authority. Typically, the Department has handled these applications "informally," that is through written filings and oral communications between the applicant and our staff. Once the Department determines that an application is complete and if the applicant appears to be fit, the Department issues an order in which it tentatively finds the applicant fit, but invites interested persons to "show cause" why the Department should not issue a final determination to that effect. In cases where there are substantial questions about a carrier's fitness to operate, our staff attempts to work with an applicant to resolve any shortcomings in the application or concerns with the applicant itself. If such problems cannot be resolved, the Department can issue an order to dismiss or deny the application. Often when such problems exist, the applicant agrees to withdraw its application in order to avoid a negative fitness finding.

If an application raises substantive questions of fact, is controversial, or presents complex issues that cannot easily be resolved on the written record or through changes acceptable to the staff, the Department can set a case for hearing before an administrative law judge. Because costs to an applicant to participate in a hearing can be considerable and the delay in initiating operations can be substantial, the Department institutes such "formal" proceedings rarely.

Mr. DELAY. Of those, then, you don't know how many have required oral evidentiary hearings where the primary concern of the Department was something other than the citizenship of the applicant?

Secretary PEÑA. No, I do not have that information. We can get it for you.

Mr. DELAY. Okay. I would like to have that for the record.

[The information follows:]

Since 1988, two applications—Discovery Airways and ATX, Inc.—have been set for oral hearing. Initially, while the primary issue in the Discovery case involved the question of foreign ownership, the proceeding was later expanded to include all compliance disposition as well as the other areas of fitness.

ILS AT NEWARK INTERNATIONAL AIRPORT

Mr. DELAY. Mr. Chairman, with that I will submit my other questions.

It seems that many of the competitive disadvantages the airlines experience are caused at least in part by the Federal Government either through onerous rules and regulations or a lack of attention

to certain problems. Quoting from last year's report which accompanied last year's DOT Appropriations Bill: "The Committee understands that an Instrument Landing System has been acquired by the FAA for installation on runway 11/29 at Newark International Airport. The Committee expects equipment, particularly safety enhancing equipment, acquired by the FAA to be installed as quickly as possible. To that end, the Committee directs that the FAA proceed to install and make operational the ILS acquired for Newark International Airport as soon as possible." I am informed that this ILS has not yet been installed. Newark International Airport now has the dubious distinction of being the airport with the most hold-ups (in percentage) in the country. It is my understanding that this ILS will help to mitigate this problem situation.

When will it be installed?

[The information follows:]

The ILS for runway 11 at Newark International Airport will be commissioned in December 1994. Earlier installation and commissioning have been delayed due to environmental issues. Construction for the ILS will start in June and installation work is scheduled for completion in October. Commissioning of the new ILS will be performed in November.

GPS SIGNALS FOR CIVILIAN APPLICATION

Mr. DELAY. Regarding GPS, clearly, this technology is the premier navigational system of the future. Long term benefits of GPS include improved on time performance, enhanced safety, increased savings on fuel expenses, reduction in pilot workload and more direct routing. As you know, since the middle of December, one airline (Continental) has been using it successfully for flights between Denver and Aspen Colorado. In fact, since GPS was certified for use by the FAA on this route, Continental has flown 427 approaches of which 158 required the use of GPS because of weather conditions. In other words, GPS has allowed some 10,000 passengers to travel between Denver and Aspen that might not have been able to travel if GPS had not been in use. In recent weeks, the aviation trade papers have highlighted the ongoing discussions between DOT and the Department of Defense with regard to "selective availability" which is the ability of DOD to quickly and completely alter the GPS signal as to make it ineffective for navigation. The outcome of these discussions is central to whether commercial aviation will be able to utilize GPS for airport approaches.

What is the latest regarding these discussions and what are you doing to quickly resolve this problem?

[The information follows:]

The Federal policy on the availability and reliability of GPS signals for civil positioning and navigation services is set forth in the 1992 Federal Radionavigation Plan (FRP). Under this policy, a recommendation by the Department of Defense (DOD) to degrade the signal available for civil use would involve a national emergency and require approval by the President. There has been no change in that policy. As part of the ongoing process between the Departments of Defense and Transportation (DOT) for improving civil use of GPS, the DOD has agreed to notify the Federal Aviation Administration (FAA) within 48 hours with regard to certain changes to signal components within the overall specification. A joint DOD/DOT technical group is examining the way these signals are generated, and will be considering both civil benefits and national security risks in its deliberations on further improvements to the signal availability and reliability. We do not expect that any aspect of selective availability will interfere with the FAA continuing with its certification process for aviation use of GPS.

CARGO PREFERENCE PROGRAM

Mr. DELAY. A portion of the Administration's budget (under the Department of Agriculture) seeks to reduce funding for the Food for Peace Program, Public Law 480. I raise this with you because of the certain transportation issues involved in that program. From a Gulf port-of-entry view, it is my understanding that the transportation costs associated with that program have not always adhered to the concept of lowest landed cost as a result of geographic set asides requiring the food commodities to be shipped from certain regions. I have been advised that a provision allowing for such a set aside is included in H.R. 2151, the Maritime Reform Act. It would seem to me that if lowest transportation costs always dictated, it would allow the Administration to retain maximum funding for providing food rather than paying for inflated transportation costs.

Does the Department have any position or influence within the Administration on this issue?

[The information follows:]

You are correct that H.R. 2151 contains a provision which directs the Department of Transportation to take action which substantially increase preference cargo traffic through the Great Lakes. We do not view this language, should it become law, as requiring the set aside of cargoes for the Great Lakes. The requirement that all cargo preference traffic move on a "lowest landed cost" basis remains in place, and any actions the Department might take must be consistent with the lowest landed cost mandate. Set asides, without regard to cost, are not appropriate in this instance and we must be certain the Government is receiving the maximum benefit from all programs.

Maritime trade on the Great Lakes is hindered by three factors not evident in other port ranges. These factors are unrelated to the efficiency of port operations. These structural barriers: limitation on the size of vessels; a shortened shipping season; Canadian tolls on the St. Lawrence Seaway make it difficult for Great Lakes ports to compete with other port ranges. As a result, shipping traffic on the Great Lakes has declined significantly over the last decade.

Our approach to this issue is to seek ways to enable Great Lakes ports to compete on a more equal basis with other port ranges. I do think it is appropriate to examine the structure of all programs to determine how the Great Lakes can be a full partner in the cargo preference program. The more healthy the competition among all port ranges the more certain we can be that (1) the Government is receiving the best price and (2) the U.S. maritime industry is viable.

DREDGING PROCESS INTERAGENCY WORKING GROUP

Mr. DELAY. Regarding the National Dredge Policy, you have identified the current approach to the federal permitting process for dredging as a "dredging crisis" and have stated that "it is a miracle every time a port dredging project is brought to fruition." I share this frustration. I understand that you have formed a inter-agency working group to review this important issue.

Can you tell the Subcommittee more about the goals and progress of the working group?

[The information follows:]

In October 1993, I convened an interagency working group on the dredging process to look at ways to improve the overall dredging process, including better methods by which the disposal of dredged material can occur. The Group is comprised of representatives of the Environmental Protection Agency, the Department of Interior's Fish and Wildlife Service, the National Mariner Fisheries Service and the Office of Ocean and Coastal Resource Management from the Department of Commerce, the Department of the Army, and the Maritime Administration from the Depart-

ment of Transportation. The members of the group agreed that the Deputy Maritime Administrator should act as the Chair.

The objective of the group is to bring about greater certainty and predictability in the dredging process. To accomplish this the group has embarked on a review of the dredging and dredged material disposal process to identify ways of improving interagency coordination, information gathering, criteria review, overall sequencing of approvals, and how to facilitate effective long term management strategies for addressing dredging and disposal needs at both a national and local level.

The working group is currently on schedule in its nine month effort will submit its report to me in July. The group has just recently concluded a first round of 10 outreach meetings, held throughout the country, where over 500 concerned individuals attended and voiced their views on how to improve the process. Currently, a set of options are being developed and they will be presented at a second round of outreach meetings to take place in April and early May. The group reports will consider this input in preparing its recommendations on near-term and long-term improvements to the dredging authorization and permit processes.

HIGH SPEED RAIL

Mr. DELAY. In the past, the Administration's position regarding high speed rail has not been completely clear. For example, there are huge financial differences between high speed rail and very high speed rail. I believe that this nation would be heading down the wrong track, so to speak, by adopting a rail initiative that could potentially bankrupt this nation's transportation resources that are needed for other transportation projects. With regards to high speed rail, I am a firm believer in the walk-before-you-can-run approach. I do not believe in the build-it-and-they-will-come approach, which many in Congress believe actually works. Cost of high speed rail systems throughout the country are still unclear. Regardless of the total cost, the totals will undoubtedly be high and potentially pull scarce federal dollars from other more useful projects.

What do we know about the total cost to the federal government for the high speed rail initiative the administration is supporting? [The information follows:]

There is considerable public and private interest in the development and implementation of high speed rail technologies and systems. The administration's proposal for fiscal year 1995 is intended to provide a more complete understanding of the costs of high-speed rail corridor development through demonstrations such as innovative grade crossing protection technologies (as potential alternatives to complete grade separation) and development of a high-speed non-electric locomotive (as an alternative to corridor electrification).

Accordingly, while we are beginning to pinpoint the costs of some of the technologies and systems—for example in the Northeast Corridor—it is still too early to project the total costs of efforts that may require federal funding. We hope to have better information as we proceed with the technology demonstrations, and as we complete the commercial feasibility study.

Mr. DELAY. Does the Administration believe in the walk before you run approach?

Before going ahead with expensive high speed rail projects will there be an examination of the possibility of cheaper conventional passenger rail such as the X-2000 or the ICE train?

[The information follows:]

We are doing first things first—planning and technology development—as logical prerequisites to a high-payoff high-speed ground transportation (HSGT) program. This approach should help the public and private sectors to identify feasibility and cost efficient options for meeting transportation needs as they plan for high speed rail operations. As part of this approach, we are examining the technical and economic feasibility of “incremental” high-speed corridor development, using exist rail

right-of-way, as well as more advanced high-speed rail systems in the Congressionally mandated commercial feasibility study that we hope to complete next year.

AIRPORT REVENUE DIVERSION REPORT

Mr. DELAY. In early February, Chairman Carr released a report which showed that 17 of 33 major airports were using airport-generated funds for non-airport purposes. While I realize that some of the airports investigated claim that they are exempted from the existing law, I believe that this report highlights a disturbing trend and may represent just the tip of the iceberg.

What is being done to address this serious problem?

[The information follows:]

The Department and the FAA are placing greater priority on enforcing the prohibitions against revenue diversion. In this regard, the FAA and the Office of Inspector General will work together to assure that airport sponsors are fulfilling their airport revenue obligations.

Under this arrangement, the FAA will amend, as necessary, the audit procedures in the compliance supplement for single audits of State and local governments to place greater emphasis on monitoring of airport revenues. FAA will rely on the results of these audits, third party complaints, and other appropriate indicators to identify airport sponsors that may be diverting revenue. The FAA will forward the identified airport sponsors to the OIG so they can conduct an audit to verify whether or not revenue diversion has occurred. Once verified, the FAA will take appropriate enforcement action.

AIRPORT PRICING POLICY

Mr. DELAY. In December you stated that you would take the lead in determining the reasonableness of airport charges.

When can this Committee expect to see guidelines and definitions so that those who have concerns know whether it is worth bringing their complaints to your attention?

[The information follows:]

While the current framework for developing an airport pricing policy has served well for many years, the expiration of some long term airline-airport lease arrangements and the economic environment of the airlines has led to conflicts over new pricing arrangements including increased landing fees. In this regard, FAA is developing a statement of principles and non-regulatory guidelines aimed at assisting the airports and airlines in their rate setting negotiations. The goal is to develop (1) a workable tool intended to avert local rate disputes; (2) a framework to bring lingering disputes to the most rapid and beneficial conclusion without resort to the Federal administration process; and (3) a non-regulatory approach that assures the capital markets that the FAA's role represents a source of stability for bond-holders rather than a threat to the value of their holdings. The non-regulatory guidelines will be issued under the general authority of the Federal Aviation Act of 1958 and the Airport and Airway Improvement Act as reasonable to carry out national aviation policy.

I have asked the FAA to give this project high priority. Because of the importance of this issue, we intend to publish the guidance in draft form and solicit public comment. The use of this process makes it difficult to predict exactly when the final guidelines will be ready.

AIRPORT REVENUE DIVERSION PENALTIES

Mr. DELAY. Both the Inspector General's Office and this Committee's investigators have determined that there is much revenue diversion from airports—permitted by law, but much which is not permitted by law.

When does the Department intend to act on those revenue diversions which are not permitted by law, and what action do you see the Department taking?

[The information follows:]

Our first step is to notify the airport sponsor of what is considered to be revenue diversion.

In some cases, the airport sponsor is able to substantiate that the alleged diversion is legally allowed under the "grandfather" provision of the law or actually a valid payment for goods or services that were received. In cases where the funds are illegally diverted, the sponsor is requested to credit the airport account and take corrective action to assure that diversion does not occur again.

If the sponsor does not comply, the Department will withhold approval of new grants and stop payment on existing grants after allowing the sponsor the due process provided under section 519 of the Airport and Airway Improvement Act of 1982, as amended. Moreover, section 328 of the 1994 DOT Appropriations Act requires that we withhold any DOT funds made available under the Act from a state, municipality or subdivision that diverts revenue from an airport in violation of the Airport and Airway Improvement Act of 1982, as amended.

ADVISORY CIRCULARS

Mr. DELAY. For many years, the FAA has avoided the rule-making process by issuing advisory circulars. These circulars have the force and effect of law in many instances, but need not go through the Administrative Procedures Act process, nor are they subject to cost benefit analysis.

What is being done to curb the unwarranted use of advisory circulars?

[The information follows:]

Advisory circular publications are utilized by FAA to provide non-mandatory guidance and information to the industry and the general public on a variety of policy and technical matters. Advisory circulars are not regulatory and as the name implies are advisory only. The FAA is not avoiding the rulemaking process through the use of circulars. In the past, FAA provided guidance to industry, but they could choose to ignore the guidance. Since the rulemaking process is not used, the advisory circulars do not have the force and effect of law. Since they are not mandatory, there is no cost associated with compliance and, therefore, a cost-benefit analysis is not necessary. With respect to grants for airport development, the Airport and Airway Improvement Act of 1982, as amended, requires that such development be in accordance with standards established or approved by the Secretary. The advisory circulars contain standards that are acceptable to the Secretary for grant agreements and when used for this purpose are mutually agreed upon as a contractual commitment and are not imposed as a regulatory requirement.

The process by which advisory circulars relating to airport development are issued allows opportunity for comment. These circulars are developed through a comprehensive coordination and consensus process. Drafts are distributed to all interested parties and comments solicited and analyzed. For complex issues, meetings with the industry users are held to formulate a basic consensus. Cost effectiveness is one of the factors often raised and considered in this comprehensive review effort.

Most airport standards are highly technical and subject to periodic modifications based on continuing research. In applying the standards in many areas, choices must be made based on engineering judgment. Advisory circulars are intended to provide helpful guidance.

Mr. DELAY. What is being done to improve cost benefit analysis?
[The information follows:]

In development of an advisory circular a formal cost-benefit analysis is not undertaken. Costs and benefits would have been analyzed in developing any rules with which industry must comply and regardless of the advisory circular, industry is free to use any approach that complies with this rule. However, in the comprehensive industry review that is followed in developing advisory circulars, industry members have the opportunity to raise cost effectiveness as an issue. Industry comments on this issue, as well as any other relevant issue, would be considered.

CODE SHARING ACCESS BY FOREIGN CARRIERS

Mr. DELAY. The concept of code sharing by foreign carriers has caused concern for some U.S. carriers. Their concerns stem from the economic advantage the code sharing airlines enjoy because of the foreign carriers' ability to schedule international flights from many different points in the U.S.

Does the Department conduct a thorough economic analysis prior to the initiation of bilateral discussions with respect to code sharing access by foreign carriers?

[The information follows:]

Until recently, with the commencement of the Northwest-KLM code-sharing arrangement, there has been no extensive code-sharing operation to provide the basis for analyzing the specific effect of code-sharing rights in international aviation markets. As a result, we have only recently begun to undertake economic analysis of code-sharing. We have been examining the code-sharing markets under the British Airways/USAir arrangement and the KLM/Northwest arrangement and are now looking at the proposed Lufthansa/United arrangement. One of the major difficulties for all parties that have attempted to value code-sharing operations is determining the relative value of code-sharing service compared to existing types of services in a market (e.g., on-line service connections or interline service connections). There is no historic basis for proving what this relative value is. Assumptions regarding this relative value by various parties that have attempted to quantify the value of code-sharing have ranged from 30 percent to 100 percent of the on-line connection. In addition, it is extremely difficult to assess what the competitive responses will be from other players in the market. We are beginning to obtain data from the KLM/Northwest and BA/USAir code-sharing operations that will enable us, after enough data are available, to assess more confidently the relative value of code-sharing operations and other services in the market.

Mr. DELAY. Has there been any analysis on the impact of these deals on the U.S. economy?

[The information follows:]

Analyzing the impact of any aspect of an air transportation agreement on the overall economy of either the U.S. or the other country is a difficult and imprecise task because of the numerous factors involved, such as the nationality and origin of the traffic generated by the new service, the lack of detailed commercial information and the multiplier effect of spending in the travel sector. Therefore, we do not attempt to quantify the impact on the general economy of code-sharing or any other rights in aviation agreements. We do know, however, that the expansion of the aviation market does enhance economic growth. Therefore, we have assumed that enhancement of service opportunities, including the use of code-sharing rights, would have a positive effect upon the level of travel in the market and a resulting benefit to both the codeshare partners and to the overall economy.

AIRLINE PASSENGER ORIGIN-DESTINATION SURVEY

Mr. DELAY. It is my understanding that American Airlines filed a petition at the Department asking for a collection of data from carriers with respect to traffic they carry under code sharing agreements.

Is there a mechanism in place for the ongoing collection of data from carriers regarding passenger traffic they carry under code sharing alliances?

[The information follows:]

There is a reporting mechanism in place. It is the passenger origin-destination (O-D) survey. All U.S. large certificated air carriers conducting scheduled passenger operations (except helicopter carriers, participate by submitting data, culled from a statistically valid sample of ticket coupons, to the Department. The survey covers domestic and international operations. Among the data the survey captures are the origin and destination of passengers, and the transporting carrier. The survey does not reflect which carrier sold a particular ticket.

Code-sharing is a marketing practice which permits a carrier to sell transportation under its airline designator code while using another carrier's transportation services. The carrier actually performing the service is also selling tickets under its own designator code, thus is also selling tickets under its own designator code, thus code-sharing on the same service. The ticket coupons that are collected as part of the O-D survey will not reflect who actually sold the ticket. American Airlines proposed that RSPA's Office of Airline Statistics (OAS) issue a directive requiring code-sharing carriers to report information on the selling carrier as part of the O-D Survey. OAS has decided to proceed with a rulemaking on this issue in order to give all interested parties notice and an opportunity to comment.

OAS continues to explore with program officials in the Secretary's Policy Office the complexities of code-sharing between U.S. and foreign partners. OAS, at the Policy Office's request, has directed USAir and Northwest Airlines to comply with two special data collection requests. The information gathered pursuant to those special data collections will enable the Department to monitor the two major code-sharing agreements in USAir/British Airways, and Northwest/KLM—while the rulemaking regarding the O-D Survey is pending.

Mr. DELAY. What is the status of, and what action has the Department taken on that petition?

[The information follows:]

The Office of Airline Statistics (OAS) and the Secretary's Policy Office are trying to determine what information is needed in the Origin-Destination (O-D) Survey to monitor code-sharing. Code-sharing among domestic and foreign carriers, as well as among domestic carriers, is a very complex issue and is currently under Department review. Additionally, OAS is considering other changes in the O-D Survey to accommodate code-sharing data requirements. Among these changes is the requirement for complete itinerary reporting. Although American Airlines requested that OAS address this subject through the issuance of a directive, OAS has determined that a rulemaking will provide all concerned the opportunity for comment and will result in a well-reasoned rule.

Mr. DELAY. It is my understanding that during bilateral discussions, U.S. Carriers are prohibited by the federal government from being present during negotiating sessions while at the same time, there are always foreign carriers' representatives on their delegation.

Is this in fact the policy of the United States government?

What is the rationale of this policy?

[The information follows:]

The Department's policy and practice, consistent with Section 1102 of the Federal Aviation Act, is to solicit the views of the U.S. aviation community in writing and to hold an industry meeting in advance of negotiations to ensure that we are fully apprised of the positions of U.S. airlines, U.S. communities, and U.S. labor in formulating the U.S. Government position for the talks. Unlike our foreign partners who normally represent a single commercial interest, there are numerous and diverse individual private parties on the U.S. side. U.S. airlines, therefore, are represented on the U.S. delegation during the negotiations by the Air Transport Association and the National Air Carrier Association; U.S. communities, by the Airports Council International-North America; and U.S. labor, by the Airline Pilots Association. These representatives brief their members, who include all major U.S. airlines, on the negotiations and keep the U.S. Government delegation participants informed of their members' evolving views as the talks progress. Individual U.S. interested parties are also free to contact the U.S. Government Delegation directly to convey their recommendations and concerns. In addition, if issues uniquely affect an individual U.S. private party or require specific technical expertise, the U.S. delegation can be expanded to ensure the most appropriate representation of U.S. interests.

Mr. CARR. I thank the gentleman.

The gentleman from North Carolina, Mr. Price.

INTERNATIONAL RECIPROCITY

Mr. PRICE. Thank you, Mr. Chairman. Mr. Secretary, the first thing I want to do today is to thank you and commend you for the

consideration you gave late last year to my region and to the Raleigh-Durham airport in awarding one of the London routes freed up by the British Air-US Air alliance.

We knew we had a powerful case and that in fact we had the best case on most criteria and we commend you and thank you for recognizing that. The regional response has been very enthusiastic, as you probably realize. We are looking forward to opening that London route, nonstop service to London out of the Raleigh-Durham hub beginning in late spring.

We are convinced it is going to be a very, very successful venture and we are prepared to do all we can to ensure that. So we thank you and commend you for that.

I would like to ask you a bit more about this question of international reciprocity. Mr. Durbin got into this a bit. You will recall that it was almost a year ago on March 15th of 1993 that you approved the initial phase of the British Air-US Air investment agreement, the code-sharing alliance. You limited that approval to one year. You said that extending the approval would depend on the kind of bilateral air transport agreement between the U.S. and the United Kingdom we could work out, the liberalization of that agreement. Now that year is almost gone. I wonder what kind of progress we have made toward liberalization and what your current thinking is about extending the bilateral arrangement.

Secretary PEÑA. Congressman, you are absolutely correct that when I made that decision back in, I think it was March 15th of last year, I stated and Secretary McGregor from the U.K. stated publicly that it was time to revisit what we call the Bermuda II agreement. We have had a number of sessions, both in London and in the United States, in attempting to do that.

I am not pleased to report to you that we have not made significant progress in liberalizing that agreement. We are coming very close to our deadline of March 15th. We are evaluating all of the options that we have before us. But we are disappointed that our counterparts in the United Kingdom have not been more flexible in trying to respond to our concerns.

We are continuing to have dialogue. We are continuing to have discussions, but the progress has not been as positive as I would have liked. So we will do all that we can to continue to work on this before that deadline arrives. And other than that, I would not be able to comment what we will do come March 15th, because we are not there yet. So we will just continue to work at it and we hope we can make more progress.

Mr. PRICE. I don't mean to criticize the basic agreement. As you probably know, the entire North Carolina House delegation supported that agreement. But we also have supported very, very strongly the principal of reciprocity, the principal of fair play, the notion that these gateways ought to be made available in airports abroad so that our carriers can take advantage of the opportunities to expand their service.

So I welcome your attention to that, and I do think the pressure is going to increase, obviously, as this deadline approaches.

MINIMUM ALLOCATION FUNDS

Mr. PRICE. Let me turn to highways. I will remind you that we have struggled for years to ensure fair treatment in the return to the states of the money that they contribute to the Highway Trust Fund. North Carolina and other states represented on this Subcommittee, have long been donor states, which simply means we put more into the fund than we get out. We have made some progress in improving our situation through the minimum allocation program.

Would you please explain that program's treatment in this year's budget submission. Your budget last year did not recommend putting the minimum allocation program under the obligation limitation.

However, this year you are proposing that. I wonder what is the reason for that change? I suppose the obligation limitations are a problem given the uncertainty about some of these rescission proposals. We are worried about bumping up against that ceiling and falling short of what we have coming to us under the minimum allocation program and what we think fairness requires.

We think the ISTEA formula leaves a good deal to be desired and so we rely on that minimum allocation program to make up the difference. So I wonder what your rationale for the change is.

Of course, we are not just concerned about this year. We might be all right for 1995. We are worried about the precedent, what it might mean for future years.

So could you help us with that?

Secretary PEÑA. Congressman, generally speaking we were concerned about the outlay rates and the different experiences we were seeing in this area. The outlay estimates are based on the obligations. We proposed to include minimum allocation in the obligation limitation to allow us to have more accuracy in those outlay estimates.

Apparently, what has happened is that in the past when these programs were exempt from the cap, minimum allocation would often overrun or underrun our own estimates. I am told that an underrun was the more common occurrence. That was the concern that we were trying to address by putting them under the cap.

But it doesn't mean that any state is going to lose funding or will be shortchanged in any fashion.

Mr. PRICE. Well, if the estimates have been off, the solution would seem to be to make more accurate estimates and to take that into account in the kind of outlays we project. But as a matter of fact, if we bump up against that ceiling, what guarantee is there that the minimum allocation would be there? It seems to me that would be a very real danger, if not this year, in future years.

Secretary PEÑA. Congressman, that is a very good question, and I will have to turn to our budget experts to answer that question very specifically. I am sure there is an answer to it. Let me have Ms. Stoll talk about it.

Ms. STOLL. You will not lose your contract authority. Historically states have only been obligating 67 percent of the minimum allocation and that is the piece that has been placed under the cap, so

that we have a sense of what will be spent out in the course of the year.

[Additional clarifying information follows:]

The budget proposes to include the minimum allocation (MA) program within the federal-aid highway obligation limitation. The requested obligation limitation of \$19.969 billion includes \$18.332 billion as authorized in ISTEA for core categorical programs and \$1.187 billion for minimum allocation. The amount that is included for minimum allocation is the full amount that is expected to be obligated in fiscal year 1995 for that program based on historical experience. Historically, states have obligated about 67 percent of the contract authority available at the start of the year for minimum allocation. We used those percentages in determining the fiscal year 1995 amount.

Our budget proposals include statutory language in section 310 of the general provisions that would ensure that the additional obligation associated with minimum allocation is dedicated to the MA states and not prorated across all states but could be used by the MA states on any program category.

As the information above explains, our intent was not to jeopardize the MA states. The rationale for the proposal was based on scorekeeping reasons. Including the program under the obligation limitation provided more accuracy of outlay estimates that the current exempt status where outlays can underrun or overrun. Because minimum allocation contract authority is available for four years from the date of apportionment, there is no risk that states would lapse contract authority that may not have been used.

Mr. PRICE. Well, the cap is somewhat problematic, isn't it, because of the question about these rescissions. The cap is pretty low, and the likelihood that we might bump up against this would seem correspondingly greater.

But I am not really asking you to make a completely precise prediction about 1995. I am really raising the question about why this should be included under the obligation ceiling at all, because it would seem to set up the possibility, maybe even the probability down the road, that the minimum allocation program simply could not be carried out.

Secretary PEÑA. Well, that certainly was not the intent, Congressman. So why don't we think about this some more and analyze it some more, and if there is a particular problem, we will come back to you and we will be happy to work with your staff in looking at this.

Mr. PRICE. We have traditionally left the minimum allocation program out from under the ceiling. You agreed to that last year, and so we are wondering why or if that needs to be changed. We certainly want a very good justification, if we made that sort of change.

I know we are short of time. I just have one further area I would like to probe a bit. I was interested in what you said about the decisions you have made in the research area. You have made some—in a very, very tight budget, you have made considerable additional investments in the area of research, in developing new technologies. You are banking on the IVHS program pretty heavily, but I welcome your commitment to very close monitoring of that program, putting some demands on that programs payoff.

SAFETY PRIORITIES

It seems to me similar questions are raised by our investment in safety programs. Now, there you are not proposing as great an increase. In fact, in the safety area we are essentially at level funding.

But as you probably know, questions have been raised from time to time about where we get the biggest bang for the safety buck. In this country we are suffering a good many more traffic deaths among young people than we are, for example, in trucking accidents. I think the figures last year were around 7,000 young drivers dying on the highways, compared to 5,000 truckers.

I don't think anyone wants to minimize safety in either area. You are proposing to spend about five times more on promoting truck and bus safety next year than on promoting traffic safety among young people. Maybe it is just that we know more we can do in the area of truck safety than in the area of encouraging safety among young people. Maybe that is the problem. Maybe this needs another look.

Have you given the same kind of attention to evaluating the pay-off, reassessing the priorities in this safety area as you gave the research and development budget?

Secretary PEÑA. We have tried to, Congressman. For example, we have increased the goals that we are trying to meet in the area of highway safety. We have increased, for example, seat belt use targets from 62 percent to 75 percent. We have established a goal of reducing the accidents caused by alcohol from 45 percent down to 43 percent, and we have estimated the lives that we will save by meeting those goals. We have also estimated the injuries that will be prevented by meeting those goals.

We would like to surpass those goals. We are embarking on a program throughout the country to focus more attention on highway fatalities. Though we have seen a dramatic improvement from 51,000 in 1980 down to about 39,000 fatalities per year in 1992, this is where we have our largest problem and it is with young people. We also analyze the safety of different vehicles and driver behavior and the kinds of people that buy certain kinds of vehicles and their characteristics.

We are also trying to do a better job of linking the information that we now get from law enforcement agencies, and this is one of our priorities, to information we get from hospitals and other entities that treat people who are in an accident. A better understanding of what precisely happened, will help us think about in a more proactive fashion how we can prevent them from happening again.

In a focus on youth, we had a simulated accident at a local high school. We brought Janet Reno in and Donna Shalala and Lee Brown and talked about accidents and the impact on their lives and also on health care costs. We are focused on that. But obviously, we are open to other ideas and suggestions that you have.

I have asked NHTSA and the other agencies in the department to rethink assumptions that we have made in the past about some of our safety programs, and ask the question, is there something that we are missing. Is there a way that we can make a dramatic reduction in the number of deaths on our highways from 39,000 annually to far below the goal that we have established last year? That is very much in our thinking. We have a new NHTSA administrator who is a doctor, who is very focused on safety issues. I think you will see much more attention placed on this.

Lastly, as respects public education, we want to talk to people about what they can do to change their driving behavior and drink-

ing practices, et cetera, to try to reduce fatalities and accidents on the highways of our country.

Mr. PRICE. Well, good. That is very encouraging. It is not just a dollars and cents question. We ought to be pushing for more creative, effective ways of promoting safety, especially among young people. But the dollars and cents question makes it even more urgent when there are limited resources we have to allocate intelligently.

Thank you, Mr. Chairman.

Mr. CARR. Thank you, Mr. Price.

Mr. REGULA, thank you for your patience.

CONGESTION MITIGATION AND AIR QUALITY IMPROVEMENT PROGRAM

Mr. REGULA. I will try to be brief. Nice to see you, Mr. Secretary. I commend you for the transportation strategy brochure. In fact, I am going to get a couple of dozen and ship them out to the mayors and the state DOT and so on so they will be looking forward to the implementation of the goals.

A couple of things. First of all, and this is very important, in the congestion mitigation and air quality improvement program (CMAQ) under ISTEA, we have authorized \$6 billion over 6 years to the states. Apparently, the Federal Highway Administration has responded to inquiries that ISTEA does not clearly state congressional intent on using CMAQ funds for intermodal facilities.

Now, it would seem to me, when I see your goals of tying America together through an effective intermodal transportation system, you encourage State and regional agencies to support and incorporate these systems. And yet, at least in Ohio, they do not feel that the authority is clear enough to allow them to go forward, and I particularly know of an intermodal facility in the 16th district that would seem to meet all of these goals, including the fact that there is private money, state money, and is a cooperative effort, but the federal had an objection raised that perhaps congressional intent did not allow the use of CMAQ funds.

I am wondering if you feel that you could by rule expand the CMAQ to meet the objectives that are outlined in Goal 1 here?

Secretary PEÑA. Congressman, I don't know. Let me investigate that issue. I am sure that someone is having a legitimate question about how to interpret the CMAQ program.

So let me look into that and determine just how flexible it is to allow us to fund intermodal facilities. I am assuming that the first question that will be asked in making any decision like that will be, what is the extent to which congestion, delays, and air pollution, will be reduced with an intermodal facility. That is a function obviously of how creative that intermodal facility is.

Mr. REGULA. Correct.

Secretary PEÑA. I must say that as I travel around the country, I have seen the full spectrum of intermodal facilities. Some are thoughtful in how they connect airports to seaports to transit operations, to bus operations and to rail operations. Other are a bit more modest only because they don't have those other modes available. So I assume those are the kind of questions that will have to be asked. But let me look at that and find out what the problem

is and what the legal issue is that seems to be preventing a decision being made.

Mr. REGULA. Well, the one specific I have in mind, of course, it is an intermodal that would allow loading of truck trailers to ship merchandise by rail from the West Coast into Ohio and then return merchandise to the West Coast. As I understand it, the total emissions per pound of freight by putting it on rail versus the tractor-trailer operation is about half. So it would certainly be a substantive reduction in air emissions. It makes a lot of sense.

Secretary PEÑA. We will look at that, Congressman. Again, I don't know the specifics of that particular project.

EPA CONFORMITY RULES

Mr. REGULA. That leads me to the second question I have. My colleague from Texas touched on it. That is this problem of NO_x. Now, as I understand you have an interdepartmental task force trying to address that, because specifically in Ohio we have about \$2 billion worth of highway construction that is on hold now because of the NO_x problem in nonattainment areas. Put an extra lane on, speeds increase, volume increases, and therefore, they can't build that extra lane in the urban areas, and it goes to the question of jobs, economic opportunity, which is Goal 2 here.

And I think it is vitally important that there be an interagency discussion of this—of the impact of the NO_x decision. Because ultimately, it has to seriously impact every urban area in America, and when you are talking about welfare reform and crime reduction, that means you have to create jobs in these urban areas.

Secretary PEÑA. Congressman, let me just add to what I said earlier in response to previous questions. Administrator Browner and I agreed to have a meeting with a number of mayors and elected officials to talk about the broad question of the conformity regulations, ISTEA implementation and the Clean Air Act. There are a number of areas beyond just the NO_x issue where some questions have been raised.

We think it will be helpful to meet with a number of mayors and organizations and with the administrator and I together. We are scheduling that meeting. Hopefully that will begin a dialogue to determine if there is any flexibility to respond to peculiar problems that nobody thought about in the regulatory process.

Mr. REGULA. Would it be possible to have someone from Ohio? Can you perhaps let me know and we will arrange for the Director of Transportation or the Governor or somebody to participate in that? Because it is critical in our State, and I am sure it will be in many others.

Secretary PEÑA. Absolutely, Congressman.

GLOBAL TRANSPORTATION CORRIDORS

Mr. REGULA. Just a little bit of an aside here in line with your response on the U.K. and gate issues. You said to identify and develop global transportation corridors. Are you getting cooperation from other nations in getting these global?

It seems like as an observation that other countries are not as free with their gates as we are, and so it is a one-way street. Mr. Durbin raised that question.

Secretary PEÑA. In some areas we are doing better than others, clearly. The goal that we talk about in the strategic document goes beyond just air. We are also, for example, concerned about land transportation corridors. As a result of the passage of NAFTA, I am convening a summit in March here in Washington with my counterpart from Mexico and Canada to talk about the corridors from Canada to the United States and Mexico, and the traffic that goes beyond, and how we can ensure that we have effective corridors.

But it goes also to our oceanic routes. That is why I spoke earlier about our support for the maritime industry in this country in my opening statement. Air global corridors are also very key.

Our goal is to have open skies agreements with as many countries as possible and better, to try to have those agreements reached with groups of nations as opposed to the single bilateral agreements we have done for many, many years. So that is the direction in which we are headed and that is why it is reflected in our strategic document.

Mr. REGULA. Well, in line with the questions of Mr. Durbin from Illinois, I would be curious under the GATT agreement, does that cover any dimension of this equal access to gates? I don't know if it does or not.

Secretary PEÑA. No, that was not covered. The bilaterals are out of the GATT agreement and so they are negotiated separately.

ALTERNATIVE FUEL VEHICLES

Mr. REGULA. Last question then is on Goal 5, to introduce low emission and alternative fuel vehicles into the DOT fleet. I had a strong interest in the use of natural gas-powered vehicles, and I am just curious of what you are doing to implement that goal, because this, of course, would be part of that.

Secretary PEÑA. Absolutely. We already have some alternative fuel vehicles in the department. We think we can do more. We are looking at the entire fleet, our new acquisitions. We are hoping to make as many conversions as we can.

Mr. REGULA. Have you put in some fueling stations then at selected areas?

Secretary PEÑA. I don't know about that.

Mr. REGULA. Because that would be key to this.

Secretary PEÑA. We know that the vehicles that we have now are able to access fueling stations close by, so that is not a problem apparently today. But let me see if we need more fueling stations. I don't think we do at the moment.

[The information follows:]

The DOT motor fleet is made up of 8,874 general purpose vehicles. Currently, 93 percent of our general purpose vehicles are obtained through the GSA interagency fleet management system. We have been participating in the GSA alternative fuel vehicle (AFV) program and have informed GSA of our desire to obtain as many AFVs as possible.

We now have 385 AFVs in the DOT fleet. In fiscal year 1994, we plan to replace 267 gas or diesel powered vehicles with AFVs. At our Washington headquarters, this will include the Secretary's vehicle, the Deputy Secretary's vehicle, all seven vehicles in our executive fleet, and nine other vehicles in our motor fleet.

We are aggressively introducing AFVs into our motor vehicle fleet nationwide. GSA's AFV placement decision centers on: 1) whether or not the location is one of the 125 metropolitan areas that are covered under the Energy Policy Act (EPACT); and whether fuel is available in the location. GSA has entered into arrangements

with commercial entities for refueling and maintenance services with a goal of having a well developed commercial fueling infrastructure.

DENVER AIRPORT

Mr. REGULA. Just as an aside, when is the airport going to open in Denver?

Secretary PEÑA. It is supposed to open on March 9th.

Mr. REGULA. That will be an exciting transfer of activity.

Secretary PEÑA. It only opens once every 20 years in the country. It will be a major movement. Someone described it as a major military movement in moving all of the equipment and aircraft over to the new airport.

Mr. REGULA. It is my understanding that all of the vehicles that will transport people to the rental cars will be alternative fuel vehicles.

Secretary PEÑA. Yes. We tried to plan that airport system so that it was environmentally friendly, even to the point of capturing of some of the deicing material that is used in the deicing operation.

CMAQ PROJECT ELIGIBILITY

Mr. REGULA. Very well. Thank you, Mr. Chairman.

I understand from state transportation officials that there has been difficulty in determining whether specific projects can qualify for use of congestion mitigation air quality (CMAQ) funds. Particularly, intermodal projects which encourage truck trailers or containers to be loaded and hauled on railroad cars have had difficulty in qualifying despite the fact that these facilities can reduce motor vehicle engine emissions of volatile organic compounds which cause ozone and nitric oxide pollutants.

Considering that the stated objective of the CMAQ program is "funding capital improvements which provide tangible improvements in air quality" would you speak to FHWA's reluctance to support intermodal projects?

[The information follows:]

DOT strongly supports intermodal projects and is in no way reluctant to find intermodal projects under the congestion mitigation and air quality improvement (CMAQ) program. Transportation projects that will reduce ozone precursors (hydrocarbons or nitrogen oxides), carbon monoxide, or under certain conditions, small particulate matter are eligible for CMAQ funds provided that they meet the program eligibility criteria. There is no restriction in the program guidance against freight or passenger intermodal projects. In fact, DOT has already funded at least one freight intermodal project in the New York City area which is expected to remove 54,000 truck trips from the congested NYC streets.

Certain aspects of the guidance, however, are relevant to the establishment of major capital investments, including freight intermodal projects. For example, to fulfill the statutory intent of the CMAQ program, some aspect of the project must be completed, and contributing to attainment of the national ambient air quality standards, prior to the area's scheduled attainment date. For areas with a 1995, 1996 or even 1999 deadline, completion of a major capital investment is unlikely. Secondly, projects funded under the CMAQ program must be included in the area's transportation improvement program that has been found to conform to the state's air quality implementation plan. Finally, projects compete for available CMAQ funding on the basis of their emission-reduction potential which is a state and local decision.

IMPACT OF EPA CONFORMITY REGULATIONS

Mr. REGULA. In the final regulation of the transportation conformity rule of the Clean Air Act Amendments, EPA added NO_x which will prohibit the federal funding for transportation projects in non-attainment areas if the project is likely to result in higher emissions of oxides of nitrogen.

This build/no build test (which is what bars the funding) will not apply once EPA has approved Ohio's plan to attain and maintain air standards. However, Ohio says such a plan will not be completed or approved for 12-24 months.

It is my understanding that Delaware and Rhode Island have already had urban projects turned down because of this rule. Also four urban areas in Ohio have submitted their long-range transportation plans to DOT and EPA. On Tuesday of this week, they were informed by the DOT Region 5 office in Chicago that they will be rejected because of the NO_x rule. Are you aware of the impact this EPA rule will have of halting transportation construction projects? How closely do you work with EPA in determining the impact of the clean air regulations? What recourse do you believe the states have who are facing a cutoff of highway funding?

[The information follows:]

DOT is aware of the impact the conformity rule has for halting construction projects. During a series of conformity workshops held in regions throughout the country, many state and local officials said that they did not believe they would be able to pass the build/no build test for NO_x in ozone nonattainment areas. Some areas may not be able to pass the test for volatile organic compounds, once the start comparing plan and program emissions to those in the submitted SIPs' budgets.

In the 3-year period since passage of the Clean Air Act Amendments of 1990, DOT has worked very closely with the EPA in the development of the conformity rule. Impacts of specific requirements were discussed and debated at length.

A lack of conformity cuts off funds for all regionally significant highway and transit projects, i.e., those that increase system capacity. After December 1993, when the EPA conformity rule was published, DOT cannot approve annual transportation improvement plans (TIPs) unless the TIPs comply with the rule. However, it does not suspend all funding. The conformity rule contains a list of projects, which have de minimus air quality impacts, that are exempt from conformity. In addition, some projects on prior year (TIPs) that have previously completed all conformity requirements may also move forward, while the state and local air and transportation agencies examine options to address the situation. Currently, the solution to some of these problems does not appear to be clear, especially for NO_x. However, EPA does have the ability to grant a NO_x waiver under the regulation.

Mr. CARR. Thank you, Mr. Regula. Do you think they will be naming a building after you at the Denver airport?

Secretary PEÑA. No, Mr. Chairman.

Mr. CARR. They obviously won't be naming a building for me. Well, we wish them well and we hope it goes well. I have just a couple more questions, maybe more in the way of comments. I will keep them short.

HIGH SPEED RAIL

I just wanted to counterbalance a little bit the enthusiasm that Mr. Durbin has for pressing forward on high-speed rail and say that actually I think you have done the right thing. We have talked many times about the incremental approach from getting from point A to point B using high-speed rail.

And while I am a cosponsor of the legislation and attended the same press conference that Mr. Durbin attended, it seems to me we can't get our visions and ambitions ahead of realistic and sound investments. It seems to me that your proposal this year is really in line with the testimony that you gave us last year and I want to congratulate you for it.

We are quite interested in supporting the continued development of electric high-speed rail in the northeast corridor. I think that is an appropriate emphasis, and I am glad you agree. Also, we need to do additional research on nonelectric high-speed alternatives.

I am glad that you added that. That is something this Committee has been involved in for some time, but I am glad you also added the R&D to see what we can do to bring down the cost of grade separations. If we are dependent on existing technology in grade separations and if we are dependent on massive electrification, it seems to me that there are some candidate corridors which would just simply be too expensive.

So I think you have realigned the Department's priorities in that regard nicely. I know that some of the people who want to be on the cutting edge of vision frequently are over the horizon and they don't have to push the tough numbers that we have to push. So I want to thank you for that.

NAFTA SUMMIT

Mr. CARR. I also want to pick up on a comment that you made about the NAFTA corridors. You are having a summit?

Secretary PEÑA. Yes.

Mr. CARR. Can you tell me a little bit more about that? I, as you know, did not support NAFTA, but it is now a reality. It appears to us from your own DOT study that the Michigan frontier carries about 28 percent of all north and south border surface land volume. It is the single heaviest border crossing point. And I am very interested in what we can do to improve the infrastructure in Michigan as well as in all of the frontiers, but in particular as it applies to my state.

I would hope that when you have this summit that we might receive notices about it along with some information on it. If there is an opportunity to be there and observe in some useful way, I would like to be helpful in that. I know Mr. Coleman is similarly interested in the border crossings issue. So perhaps not only the Committee, but our respective personal offices could receive some notification and information about it. We are not interested in horning in on your action, but being able to be there in a way that allows us to learn what is happening firsthand.

Secretary PEÑA. I would be happy to do that, Mr. Chairman.

FUNDING BORDER PROJECTS

Mr. COLEMAN. Mr. Secretary, I appreciated the opportunity to join you at the announcement of the Department's study on the "Assessment of Border Crossings and Transportation Corridors for North American Trade" on January 11. You will recall that I, with the assistance and support of this Committee, inserted the funding for this study in the fiscal year 1993 Appropriations Bill for the Department of Transportation. As I did last month, I want to con-

gratulate you on raising the important issues concerning infrastructure funding along our borders with Mexico and Canada and the great needs which exist there. The study reaffirms many of the arguments I have been making for years about the southwest border region. However, I was disappointed that the study did not recommend a separate funding source for infrastructure projects. I also took issue with the finding that indicated that border ports of entry have adequate facilities to handle projected increases in border crossings. The reality is that our present facilities, including staffing levels, are inadequate to meet the current levels of trade along our borders. With the passage of NAFTA, we must be prepared for increased levels of commerce.

My question to you today is how your proposed budget reflects the projected increases of trade between the United States and Mexico? I am specifically interested in highway, rail, and airport initiatives aimed at accommodating the trade and tourism expected to increase.

I would like to recommend to you that your Department give priority to grant applications from these areas, especially in those areas where the study concludes help is desperately needed. These include planning, traffic management at ports of entry, inequitable distribution of federal highway funds by the states, for examples. [The information follows:]

The increased trade between the United States and Mexico as a result of NAFTA will place demands directly on both our Federal-aid highway and on our Motor Carrier Safety programs. Increased trade brought about by NAFTA could also impact the FAA and MARAD. The Department's study on infrastructure needs along the border found that, in general, border infrastructure is adequate, but arterial roads leading to and from border crossings are under stress and need repair and upgrading. It also found that some improvements in transportation systems in the U.S. may need improvements to handle increased domestic and international trade.

The present federal-aid highway program is adequate to address the increased border infrastructure needs identified in our report to Congress submitted last month (Assessment of Border Crossings and Transportation Corridors for North American Trade, required by sections 1089 and 6015 of the ISTEA).

We will be targeting some of our Motor Carrier Safety Assistance Program funds—which we propose to increase from \$65 million to \$83 million in fiscal year 1995—to increase enforcement of motor carrier safety, weight, and hazardous materials regulations.

JOINT USE OF BIGGS ARMY AIRFIELD

Mr. COLEMAN. The City of El Paso, late last week, concluded an agreement with Department of Defense officials at Fort Bliss concerning joint use of runway facilities. As you may know, the Biggs Army Airfield is located in the vicinity of the El Paso International Airport. Both entities envision joint use which would enhance El Paso's ability to process air cargo while also increasing the Army's rapid deployment capability. Rail and highway links are planned. I understand that the military airport program, which was expanded last year and currently being reauthorized, has benefitted cities with similar arrangements. I am very interested in working with you to identify program areas where my community might participate. This would contribute to the area's ability to compete in a post-NAFTA environment.

PASSENGER FACILITY CHARGES

Mr. COLEMAN. After two attempts, I hope that we can finally convince the FAA and airports to comply with congressional intent and refrain from collecting passenger facility charges from those passengers travelling on frequent flyer or non revenue tickets. I would like to get your thoughts on this matter.

[The information follows:]

As you know, this has been a difficult issue, and the Department has tried to balance the interests of all parties—not only between airports and airlines, but also between frequent flyers and non-frequent flyers. In response to the prohibition enacted in the 1994 Appropriations Act, all approvals to collect passenger facility charges since then have contained appropriate restrictive language prohibiting the application of PFC's to frequent flyer tickets.

The President's budget proposal to eliminate the general provision does not reflect a disagreement of policy. Rather, our proposal was based on the objection to sanctioning airport grant funds. Moreover, we believe language regarding the application of PFC's should be addressed in the authorization establishing PFC's.

BRITISH AIRWAYS MARKETING ADVANTAGE

Mr. COLEMAN. Last week, British Airways reported record breaking net earnings. Why does the United States feel it appropriate to provide further marketing advantages to a powerful, healthy carrier like British Airways or government subsidized carriers like Lufthansa through the continuation of restrictive agreements to the detriment of US carriers.

[The information follows:]

In March 1993, the Department allowed the first phase of British Airways' investment in USAir (\$300 million of a proposed \$750 million) to remain in place and approved the initial application for code-share authority and other cooperative arrangements for one year. In announcing that approval, I launched a U.S. initiative to reach agreement on a liberalized U.S.-U.K. aviation region within the one-year approval timeframe. In April 1993, U.K. Secretary of State for Transport John MacGregor and I announced our joint commitment "to replace the restrictions in the current air services agreement with a regime that enables airline managements to determine the price and supply of air services. Both governments want to see vigorous but fair competition, offering the public an even wider choice of airlines, routes and fares."

Even with a Secretarial level commitment, the British have shown little flexibility on the issues of core concern to the United States, especially on access to Heathrow, London's premier airport. As an expression of concern with the lack of progress, the U.S. side declined to hold the round of talks that had been tentatively scheduled for January 1994. I remain committed to liberalizing the U.S.-U.K. aviation relationship, and we are actively assessing the potential effectiveness of all available options to reach liberalization, which would provide significant new opportunities for U.S. airlines.

With respect to Germany, first I would like to clarify that Lufthansa has not received government subsidies since the 1970s. Second, although the U.S.-German transitional agreement temporarily restricts the growth of U.S. carrier operations, I believe that the agreement is in the overall best interest of the United States. I would have preferred that there be no limits on U.S. carriers. Unfortunately, we did not see any possibility that we could achieve this objective—given the U.S. carrier passenger market share of well over 60 percent, as well as Lufthansa's financial difficulties. We concluded that preserving the existing agreement and accepting a limited growth regime for passenger services for an interim period (until November 1, 1997) was preferable to a denunciation of the agreement and the uncertainties that would result for U.S. carrier operations.

We have also taken important steps toward establishing an open-skies aviation relationship with Germany. First, we have achieved an immediate open-skies aviation regime for cargo services. Second, we have a commitment from Germany to work toward an open-skies passenger aviation relationship during the next four years.

MAGLEV RESEARCH

Mr. COLEMAN. I was disappointed by the Department's rescission proposals in the budget, especially as it relates to maglev. The Congress included \$20 million in fiscal year 94 for research and development, as authorized by ISTEA. Can you give me background information into this decision? How does this relate to high speed rail which has no authorization. Why is this a priority for the Department?

[The information follows:]

The administration proposed to rescind \$17 million of the \$20 million appropriated in fiscal year 1994 for maglev research. As you know, the administration had not requested the \$20 million. Congress enacted the rescission proposal as part of the recent supplement/rescission package. High speed rail remains a priority for the Department because we believe track, signalling and equipment improvements can be made that will allow us to realize speed improvements for passenger rail. Our focus is on technology development using existing infrastructure and working with Amtrak to test high speed rail equipment.

1995 BUDGET ASSUMPTIONS

Mr. MCDADE. Mr. Secretary, the budget document declares, "In contrast to past budgets, which lacked credibility, * * * this budget dispenses with smoke and mirrors." Mr. Panetta said, "We have presented no gimmicks. What you see is what you get."

The fiscal year 1995 budget is not free of smoke and mirrors and what you see is not what you get. The budget leaves out the cost of health and welfare reform, of implementing NAFTA, of GATT. It finances over a billion dollars of discretionary programs under "pay-go" and not under the discretionary caps. The budget contains delayed obligations that are not based on programmatic assumptions. Bottom line: This budget proposes \$2.7 billion more spending for next year than the caps allow.

Similarly, last year's budget proposed an "investment" package but financed it with "phony" money since the fiscal year 1994 President's budget request exceeded the discretionary caps by \$10 billion. Mr. Secretary, the smoke and mirrors continue and your own Department plays in the shell game.

The Department's budget does not add up. Fully funded levels for the federal-aid highway program and transit formula grants and increases in the FAA and FRA were all based on rescissions of highway demonstration projects of \$2.2 billion in fiscal year 1994 and \$817 million in 1995 a rescission that was not transmitted. In other words, the bottom line is that the DOT budget assumes savings in 1995 of more than \$800 million in BA and more than \$400 million in outlays that do not exist. How does the Administration propose to rectify this problem?

Since this Administration prides itself on truth in advertising, would it not be the wisest and most honest approach to submit a budget amendment that reflects no major rescission of highway demonstration projects?

What programs and activities do you propose to cut or reduce to accommodate these illusory savings? Can you suggest any alternative recommendations?

[The information follows:]

We propose to work with Congress to identify other options for achieving the savings.

With regard to the budget authority issue, the Office of Management and Budget has informed both the House and Senate Budget Committees that the assumption of \$817 million in budget authority savings credited to transportation is an error because a detailed rescission proposal to achieve the savings was not transmitted. It is our understanding that the Budget Committees will support an upward adjustment in budget authority for the transportation function given that the President's budget does not fully utilize the budget authority caps for fiscal year 1995. With regard to the outlay savings, the administration did submit on February 8, 1994, fiscal year 1994 supplemental language that would provide an alternative means to accomplish the outlay savings that would otherwise be achieved by rescission.

As noted above, the administration did submit a proposal that would authorize the Secretary to take action as needed to reduce outlays in highway construction programs by \$406 million in fiscal year 1995. We will work with Congress to identify other options.

PROGRAMS LACKING AUTHORIZATION

Mr. MCDADE. What programs and activities within your request lack specific authorization in fiscal year 1995?

[The information follows:]

Fiscal year 1995 budget authorizing legislation required

<i>Administration / Account</i>	<i>Thousands</i>
FRA:	
Grants to Amtrak	\$788,000
Northeast Corridor Improvement Program	199,600
Railroad safety	47,739
Pennsylvania Station redevelopment	90,000
Next generation high-speed rail	32,500
FAA:	
Research, engineering and development	266,800
Grants-in-aid for airports	1,690,000
USCG:	
Operating expenses	2,605,505
Acquisition, construction and improvements	406,700
Environment compliance and restoration	25,000
Research, development, test and evaluation	17,160
RSPA:	
Research and special programs (hazardous materials portion)	12,999
OST:	
Operations and research, OCAST	6,541

HIGH SPEED RAIL

Mr. MCDADE. The administration's fiscal year 1995 budget proposes to take a different approach to high speed rail and suggests that the federal role should be to assist in the development of high speed rail technology instead of the development of specific corridors using Federal grants.

How does this change in position comport with the high speed rail bill introduced last year? If it is inconsistent, or if the administration is not supporting the legislation, will the Department be proposing new legislation?

[The information follows:]

As you recall, the Department's high-speed legislative proposal introduced last year would create a corridor improvement program and a technology enhancement program. Our 1995 program would begin the technology development program and complete the commercial feasibility Study. We believe that this approach represents a prudent way to proceed, and we will be working with Congress to enact legislation to support our overall approach, consistent with the Administration's announced vision for the development and implementation of high-speed rail.

LOCAL RAIL FREIGHT ASSISTANCE

Mr. McDADE. The budget proposes to zero out the local rail freight assistance program. What is the rationale behind this request?

[The information follows:]

While we recognize the important role that small and regional railroads play in providing feeder service to the larger transportation network, we had to make tough choices in view of the budgetary constraints.

The LRFA program and the Staggers Act reforms have provided the transitional assistance needed so that states, the railroads that seek to dispose of light density rail lines, and private sector financiers have been able to preserve rail line services on these light density lines through the creation of over 600 new small railroads.

Mr. McDADE. What was FRA's request to OST for local rail freight assistance? The Department's request to OMB? And, if the mode and OST recommended furtherance of the program, what was the rationale for continued assistance?

[The information follows:]

FRA included \$20 million for LRFA in its fiscal year 1995 budget request to OST, and the Department's budget submission to OMB requested \$15 million for LRFA. Rationales for funding were: (1) LRFA-assisted rail lines would benefit rural and small-town economies; and (2) rehabilitation of deteriorated light-density tracks would improve rail safety conditions.

Mr. McDADE. How are these positions reconcilable?

[The information follows:]

Zero funding is recommended for the Local Rail Freight Assistance program because other programs were deemed higher priority in our budget discussions with OMB and the White House. The cap on discretionary spending inevitably led to tough choices such as this one.

FISCAL YEAR 1994 STAFFING REDUCTIONS

Mr. McDADE. Your statement suggests that you will achieve a 5 percent reduction in staffing by the end of fiscal year 1995 and that enacting buyout legislation will assist in meeting that goal. In fact, you state that without that legislation, the Department will likely face furloughs and RIFs in several areas.

Are any RIFs or furloughs expected in fiscal year 1994? If so, where, and for what reasons?

[The information follows:]

By offering early-outs in fiscal year 1994, the Department of Transportation hopes to avoid reductions-in-force and furloughs. As an example, the United States Guard (USCG), because of dollar limitations, has begun several initiatives to avoid furloughs to help in reducing salary cost in fiscal year 1994 such as offering early-outs to their employees and offering select employees the opportunity to change their tours of duty from full-time to part-time to saving resulting FTE and salary dollars.

ENVIRONMENTAL REVIEWS AND ANALYSIS

Mr. McDADE. The National Environmental Policy Act (NEPA) requires agencies to consider the environmental impacts of their actions. Agencies meet this requirement by conducting environmental analyses which identify and assess project impacts of the environment.

How have the environmental requirements impacted the Department's ability to respond to recent problems such as the Midwest floods and the Los Angeles earthquake?

How have environmental review requirements impacted the Department's ability to implement ISTEA? Have environmental requirements limited the Department's ability to initiate construction projects, and thereby stimulate the economy? What are the Department's short and long term plans for expediting environmental reviews?

What action has the Department taken to improve interagency coordination with regulatory and commenting agencies such as EPA, the Army Corps of Engineers, and the Department of the Interior?

Does the Department encourage states to assume a greater responsibility in applying environmental regulations?

If so, why, and which regulations would the Department like to see delegated to the states?

[The information follows:]

Most projects to repair flood and earthquake damage do not involve significant environmental impacts and do not require detailed review. The Federal Highway Administration and Federal Transit Administration's environmental procedures specifically exempt emergency repairs and reconstruction carried out under emergency relief funding from environmental reviews.

EPA's Clean Air requirements for transportation projects to conform to air quality plans do not apply to projects to restore transportation facilities after natural disasters.

Because of the importance of getting our vital transportation facilities and services back into service, DOT is committed to work as efficiently as possible to meet environmental requirements for any projects which require more detailed review.

Environmental review requirements—particularly environmental impact statements (EIS) for major infrastructure projects—have always involved lengthy analysis and public review. An additional one to three years was added to the project development phase in order to satisfy NEPA requirements for major infrastructure projects. However, for these major projects, we believe that the effort is absolutely essential to gain public input and acceptance. Projects of this scale are often controversial, and we see no way of short-cutting the long-established procedure for documenting a project's likely impacts and soliciting public reaction to it.

With respect to the flexible funding provisions in ISTEA, the great majority of projects which have received flexible funding are the types of projects which do not require a lengthy EIS process. Projects such as bus or alternative fuel vehicle purchases or bus garage construction can be handled with streamlined environmental processing, either with categorical exclusions or environmental assessments, and in these cases project development has been minimally affected.

ISTEA contains specific long-range planning requirements for metropolitan areas which will cause environmental considerations to be pushed "upstream" in the planning process. If environmental concerns are meaningful considered and addressed during systems planning by state, regional and local agencies, we fully expect that the federal EIS will flow more smoothly and take less time to complete, even for major transportation investments.

The National Performance Review proposes a consensus-building approach to expedite transportation and environmental decisionmaking. DOT proposes to sponsor two demonstration projects in the short term that apply to this approach. This project would focus on tools for expediting environmental processing and resolution of issues.

In the long term, DOT will continue to improve the environmental review process and achieve better coordination within dot and with other agencies on environmental issues. Efforts are underway to revise and update environmental procedures of several of the Department's modal administrations and to update guidance available to the modal administrations to reflect new environmental mandates and better achieve the flexibility in choice of transportation solutions envisioned in ISTEA.

The Department has taken a number of steps to improve interagency coordination with regulatory and commenting agencies. The FHWA took the lead in developing guidance for interagency coordination on the Section 404 Clean Water Act program; this guidance has been adopted as agency policy by the Army Corps of Engineers. We continue to improve coordination in the Section 404 permit area. We have recently established an interagency task force to address port and channel dredging issues and find ways to streamline reviews. We are involved in a Federal Inter-

agency Committee on Aircraft Noise to address compatible land use and other issues related to aircraft noise. We have worked and continue to work with EPA on implementation of Clean Air Act provisions affecting transportation, in particular the transportation and general conformity regulations. We are working with the Department of the Interior on the impact of aircraft overflight of sensitive areas.

Under the National Environmental Policy Act, state agencies may be joint lead agencies with Federal agencies in preparation of environmental documents. Where applicable, states serve as joint lead agencies on DOT grants and other actions. The Department has not been directly involved in encouraging states to assume responsibility for applying environmental regulations; however, we have supported EPA, the Corps of Engineers and other agencies in encouraging such actions. Under ISTEA, FHWA may participate financially in state wetland conservation planning efforts.

FAA REORGANIZATION AND THE ATC CORPORATION

Mr. MCDADE. Both the National Airline Commission and the National Performance Review recommended the creation of a federal corporation to run the ATC system. In October 1993, the Department of Transportation and the FAA established a task force to study three options: corporatizing the ATC system; corporatizing the FAA, and restructuring FAA within its present organization. Why did the administration opt to support the ATC corporation proposal before the task force completed its work on other options?

Why could FAA not reform itself under its present organizational structure?

Why is a government corporation necessary to bring about reform in the ATC system?

[The information follows:]

The ATC corporation was the specific recommendation before the administration as a result of the National Performance Review and the National Airline Commission. A great deal of thought and study had gone into developing that recommendation. Nevertheless, the administration will listen carefully to the recommendations of its committee of experts, and, although I do not expect it, if the committee were to recommend a different structure, we would, of course, consider that recommendation.

The FAA could make changes to improve its efficiency under its present organizational structure, but there have been numerous such reorganizations in recent years, and none of them have addressed the fundamental problem, which is that ATC needs to be run in a more business-like way. We do not need another change that makes differences at the margin. We need fundamental change.

Our goal is to make air traffic more business-like. That requires streamlined procurement, simplification of the personnel process, funding stability, and leadership continuity. Particular problems could be addressed by specific changes, but that would be a piecemeal approach. We think the solution is a comprehensive restructuring with reforms in all the areas, and that a government corporation is the way to achieve that.

DENVER INTERNATIONAL AIRPORT

Mr. MCDADE. It was reported recently in the trade press that Continental, in a continuing effort to reduce operations at its unprofitable Denver hub, will eliminate 32 more flights from its hub on March 9, the day the new Denver Airport opens. Continental currently operates 41 gates at Stapleton Airport, but will operate only 20 gates at the new facility. In a different article which appeared in *The Rocky Mountain News* on November 19, 1993, the Secretary was quoted in a speech delivered to Denver Rotarians as discounting speculation that the new airport is threatened by airlines that are downsizing or splitting up to compete more effectively with bargain or economy carriers.

He was also quoted as saying that you expected the FAA to grant an additional \$50 million for a sixth runway at the new airport.

Has the announcement of Continental's ongoing downsizing caused you to reevaluate your predictions of the viability of the new airport?

[The information follows:]

We view Continental's downsizing as a reaction to today's aviation marketplace. We remain confident in the new airport's viability and in its well designed capacity to serve many air carriers and millions of our citizens well into the next century.

SECRETARY PEÑA'S RECUSAL FROM MANAGEMENT DECISIONS
AFFECTING DENVER INTERNATIONAL AIRPORT

Mr. MCDADE. I know that you have recused yourself from all DOT management decisions that may affect the airport, but it strikes me that a statement like the one attributed to you in the Denver media about FAA's future funding actions run counter to that recusal and may send messages to the management of the FAA. Do you have any comments on this observation? What is the expiration of your recusal from decisions affecting the Denver airport?

[The information follows:]

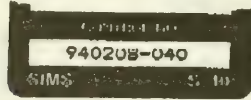
When I took office as the Secretary of Transportation, I agreed to be recused, on a case-by-case basis, in particular matters relating to the Denver International Airport where, to avoid a possible appearance of impropriety, it appeared desirable that I not participate despite the lack of any actual conflict of interest. This case-by-case recusal remains in effect indefinitely. The principal purpose of this recusal is to allow me to disqualify myself from personal and substantial participation in particular matters in which I also participated personally and substantially while serving as the Mayor of Denver, Colorado. As a general consideration, I have not recused myself from participation in new matters relating to the Denver International Airport, e.g., funding for a sixth runway at that airport.

[Secretary's recusal policy follows:]



U.S. Department of
Transportation
Office of the Secretary
of Transportation
General Counsel

Memorandum



Subject: **Recusal Policy**
From: **Rosalind A. Knapp**
Deputy General Counsel
To: **The Secretary**

Date: **February 8, 1994**

Reply to: **William**
Attn. of: **Register**
x69154

When you became the Secretary of Transportation, you adopted the recusal policy set out in your memorandum of January 5, 1993 (copy attached).

Pursuant to your recusal policy of January 5, 1993, you were recused for one year from participation in particular matters pending at the Department of Transportation in which the law firm of Brownstein, Hyatt, Farber & Strickland was representing a client. You were also recused for one year from participation in particular matters affecting Peña Investment Advisors, U.S. West Corporation, New Valley Corporation, and the University of Denver. These recusals are no longer in effect.

Pursuant to your recusal policy of January 5, 1993, you remain recused from the following:

- o Any particular matter involving a identifiable party for whom you have personally acted as an attorney on that particular matter.
- o Personal and substantial participation in any particular matter involving the TRES Partnership, 1658 High Street, Denver, Colorado.
- o On a case-by-case basis, any particular matter, such as the following, where it appears desirable, in order to avoid a possible appearance of impropriety, that you not participate despite the lack of any actual conflict of interest:

a. Denver International Airport.

2

With respect to your recusal relating to the Denver International Airport, this recusal should be limited to particular matters (and extensions thereof) in which you participated personally and substantially while serving as the Mayor of Denver, Colorado.

Can you please initial your concurrence with your recusal policy, as updated above, and return the initialed memorandum to me. Thank you for your cooperation.

Attachment

Concurrence

Hector Soto

Memorandum

Subject: Recusal Policy

From: Federico F. Peña *J.D. 1/5/93*

To: Rosalind A. Knapp

If confirmed as the Secretary of Transportation, I intend to adopt the following recusal policy:

1. I will recuse myself from any particular matter involving an identifiable party for whom I have personally acted as an attorney on that particular matter.
2. I will recuse myself from personal and substantial participation in any particular matter involving the TRES Partnership, 1658 High Street, Denver Colorado.
3. I will recuse myself from personal and substantial participation, for a period of one year, in any particular matter pending at the Department of Transportation concerning which the law firm of Brownstein, Hyatt, Farber & Strickland is representing a client before the Department of Transportation on such matter.
4. I will recuse myself from personal and substantial participation, for a period of one year, in any particular matter pending at the Department of Transportation having a direct and predictable effect on any of the following:
 - a. Peña Investment Advisors.
 - b. U.S. West Corporation.
 - c. New Valley Corporation (formerly Western Union Corporation).
 - d. University of Denver.
5. In addition, to avoid a possible appearance of impropriety, I will recuse myself on a case-by-case basis in any particular matter, such as the following, where it appears desirable that I not participate despite the lack of any actual conflict of interest:
 - a. Denver International Airport.
6. For the purpose of these recusals, the term particular matter encompasses only matters that involve deliberation, decision, or action that is focused upon the interests of specific persons or organizations or a discrete and identifiable class of

persons or organizations. The term particular matter, however, does not extend to the consideration or adoption of broad policy options, e.g., rulemaking and legislative matters that are directed to the interests of a large and diverse group of persons or organizations.

FAA MANAGEMENT CONFERENCE AT DENVER INTERNATIONAL AIRPORT

Mr. MCDADE. In November, the FAA convened a management conference in Denver, Colorado, concurrent with the gala events celebrating the completion of the new Denver airport. Please provide for the record the following information:

One, a full description of the management conference;

Two, a listing of all FAA and other DOT staff attending the conference, and the opening events at the airport;

Three, include in that listing the work location of these employees, i.e., headquarters, regional offices; titles and GS ratings;

Four, an explanation of why Denver was chosen;

Five, an explanation of how the selection of Denver met the mandates of the President's February 10, 1993 Executive Order requiring conference planners to choose sites only after evaluating the cost differences of prospective locations, and keeping agency representation to a minimum;

Six, a list of other sites that were contemplated for the management conference; and

Seven, any cost comparative studies that were done within the Department relative to selecting Denver as the site for the conference.

[The information follows:]

The FAA's Systems Operations (AXO) Management Team meets on a quarterly basis, since the reestablishment of the AXO organization in December 1991 to focus on strategic issues, group accomplishments, solve problems, and make decisions. The AXO quarterly management team meeting was held in Denver, Colorado, on November 17-18, 1993. Our efforts to coordinate issues that cut across organizational lines are consistent with the Office of the Inspector General recommendations to improve communication and coordination among straightlined organizations. (January 1992 draft OIG "Report on the 1988 FAA Reorganization Straightlining.") The agenda included discussion of current agency initiatives, diversity issues, the AIP program, GPS issues, personnel related issues such as streamlining plans and the buy-out, and current operational program updates.

A total of 25 FAA personnel attended the AXO conference, including 10 from the regions, and 15 from Washington headquarters. Virtually all attendees were SES. There were no participants from OST. The opening ceremonies for the new airport were attended by a total of 23 FAA personnel, 12 from the regions and 11 from Washington headquarters. Most of the regional attendees were working level staff that were in Denver the week of November 15 on official business in conjunction with their Airport related responsibilities. None of the AXO management team attended the "Gala" events, and only four attended the opening ceremonies.

Normally, FAA alternates regions hosting the meetings. They purposely selected a central location to hold the meeting, since the AXO management team comes from locations throughout the country. Denver offers direct flights from most major cities and per diem rates are very reasonable. Lodging was located at a downtown location for \$52.00 per night plus tax (well below per diem), and the meeting room was provided at no cost. The previous AXO manager's meeting was in Oklahoma City in August 1993. The lodging rate was \$70.00 per night plus tax.

The AXO quarterly meeting is not considered to be a conference, but is an operational management meeting. This internal meeting of the top AXO managers, who represent about 80 percent of the FAA, addresses and resolves policy issues and identifies ways of implementing the administration's goals as well as addressing operational issues. Since the majority of the FAA is located throughout the U.S., FAA occasionally holds meetings in the various regions. Costs and attendance are always kept to a minimum. Representation of management team members is limited to principals or an approved representative, and speakers are limited to experts in the subject matters to be addressed.

All regions, as well as Washington, D.C., are regularly considered as sites for upcoming meetings.

A formal cost comparative study was not performed for this meeting. However, cost comparisons of hotels were performed and FAA was able to obtain lodging well below per diem rates and use of a conference room at no cost.

DOT STRATEGIC PLAN

Mr. CARR. In January 1994, the Department issued a seven-part strategic plan to serve as a guide for the Department's progress towards the adoption and modernization of the nation's transportation systems. The strategic plan calls for "observable progress" in the repair and construction of all modes of transportation within a three-year time frame. What types of observable progress are expected by that date within each of the major modes?

[The information follows:]

We are currently developing action plans to accomplish this objective. These plans are not yet final, however, a number of process changes that will support this objective and lead to observable progress have been identified, including:

This Maritime Administration is leading a workgroup of federal agencies to improve the process for approval and implementation of dredging projects for the maintenance of existing marine channels and the development of new channels to our ports and harbors.

The Federal Aviation Administration will further develop the Airport's Capital Improvement program and the National Plan of Integrated Airport Systems, including a method for ranking projects.

The Federal Transit Administration and Federal Highway Administration will be working with the states to implement the public transportation management system (PTMS). This will improve the process for identifying long term needs and provide a greater focus on both short and long term recapitalization needs. PTMS will be fully operational in all states by October 1996.

The Coast Guard will be completing a long term capital investment plan that identifies infrastructure such as seagoing buoy tenders, differential global positioning system equipment, and other systems necessary to assure the continued flow of maritime commerce.

The Department is working to identify and explore the feasibility of various innovative financing techniques to promote greater infrastructure investment. Among those being examined are use of grant funds as a capital reserve or to buy bond insurance, loans which might be repaid based on interest only for the first several years, and short term loan guarantees. Implicit in this is promotion of greater levels of private sector investment in infrastructure. However, we don't see greater non-federal investment reducing the need for federal investment. Rather, it will help close the gap between current needs and actual investment.

Mr. CARR. How specifically are the modal administrations expected to use the strategic plan to chart their actions in the coming fiscal year?

[The information follows:]

Multi-year action plans are being developed for each goal and objective within the strategic plan. In these plans, the modal administrations are identifying what specific actions are being taken or planned to reach each objective, and measurable milestones to get there. Once completed, the action plans will be used to guide their actions, and the milestones will measure progress. As the strategic plan states: "the Department and each mode will review business as it is now conducted, and may even stop doing some things in order to best use our resources to continue or initiate projects that will accomplish these goals."

Each mode is reviewing its current activities for their contribution to both the overall goals and the specific objectives within the Strategic Plan. Milestones that measure progress in fiscal year 1994 towards accomplishing the goals and objectives are being included in written performance agreements between the Secretary and each modal administrator and Departmental officer. Similar agreements will be prepared for fiscal year 1995.

INNOVATIVE FINANCING MECHANISMS

Mr. CARR. The strategic plan also calls for the expanded use of innovative financing mechanisms and private sector investment.

What specific financing mechanisms does the Department consider particularly promising for the various modes?

[The information follows:]

Each of our operating administrations with infrastructure grant programs has formed a working groups to look at the possibilities for innovative financing. They will be considering the specific impediments to private sector investment and how best they might be overcome. Among the financing techniques we are examining are use of grant funds as a capital reserve or to buy bond insurance, loans which might be repaid based on interest only for the first several years, and short-term loan guarantees. In the proposed reauthorization of federal aviation programs that we sent to Congress in January, we included a provision to authorize funds, in addition to the contract authority for grant funds, that would be made available as loans, loan guarantees, bond insurance, or in other innovative ways that would leverage a significant amount of non-federal funds.

REORGANIZATION PROPOSALS RELATIVE TO STRATEGIC PLAN

Mr. CARR. The strategic plan calls, in part, for DOT to restructure its research and technology programs to target funds to new transportation technology. In this area and others, what kinds of organizational changes are expected to be needed to facilitate implementation of the strategic plan?

[The information follows:]

As part of the strategic plan and in response to the National Performance Review, DOT has reorganized the Department's technology focus to make technology research and development a priority. The department has hired a new Director of Technology Deployment to integrate research and technology programs from all the modes in the department.

Within the department we have established two committees, the Research and Technology Steering Committee (R&TSC) and the Research and Technology Coordinating Council (R&TCC) comprised of senior officials from the different agencies in the Department and from the Secretary's office. The objective of the steering committee is to advise the Secretary and the Director of Technology Deployment on matters of DOT priorities for research and technology (R&T). The Director of Technology Deployment promotes R&T activities, and is DOT's point person for the Technology Reinvestment Project for defense conversion. The R&TSC acts as a board of Directors for the DOT R&T program and is chaired by the Deputy Secretary.

The R&TCC is set up to oversee and manage the R&T program in the Department to develop effective ways to review plans, policies and budgets for R&T to determine gaps, duplication and program effectiveness. This committee will coordinate all Transportation R&T activities and help influence the investment of external transportation research funding into projects that support DOT objectives. This committee is chaired by the Director of Technology Deployment.

Another reorganization that is under review at this time relates to how civil rights activities are organized and conducted at DOT. Consolidation of civil rights activities into OST is one option under consideration. This reorganization would directly impact goals 6 (Putting People First) and 7 (Transforming DOT) of the strategic plan.

INFRASTRUCTURE INVESTMENTS

Mr. CARR. In meeting goal number 2 of the strategy, "investing strategically in transportation infrastructure" you say you will "develop a strategy to repair and build transportation infrastructure including highway, rail, transit, and aviation projects based upon needs assessments and cost-benefit analyses. * * *

Please be more specific, if you can, especially for aviation projects. This Subcommittee has found the FAA's investment strategies and cost-benefit analyses to be rudimentary, at best.

[The information follows:]

The President issued an Executive Order at the end of January 1994 that establishes principles for assessing potential infrastructure investments. Many of our programs already comply with the basic principles of the Executive Order. Cost-benefit analyses are completed for all of our major system acquisitions, for example, before funds for acquisition are included in the budget. Many of our discretionary grant programs already have cost-benefit (or cost-effectiveness) analysis built in, and we conduct system-level reviews of our formula grant programs, for example, through the analysis conducted for our periodic conditions and performance reports on highway, bridge and transit systems.

We can do more, though, and we are working on improving: our analysis of the benefits of highway investments, the analysis done in support of transit new start applications (as required in ISTEA), and the criteria by which we award discretionary airport grants. With respect to airport grants in particular, we believe we will be able to make significant improvement in the analytical bases for awarding grants this fiscal year and in the years to come.

STRATEGIC SUPPORT TO NEW INDUSTRIES

Mr. CARR. Another activity to be used to achieve the goal of strategic investment is the "identification of opportunities to provide strategic support to new transportation industries that have the potential to benefit the nation's economy." Can you give the Committee examples of the types of industries that might be worthy of such support? Are funds requested in the 1995 budget for such initiatives?

[The information follows:]

A financially sound and competitive transportation system is essential to improving the performance of our economy, raising our standard of living, and enhancing the quality of life.

As an example, one major DOT initiative is the intelligent vehicle highway system (IVHS) program, which draws upon advanced electronic, communication, and computer technologies. Our investments in this area will not only improve the performance of the nation's highway transportation system, but will also help U.S. firms compete in the rapidly emerging worldwide market for IVHS products and services. In fiscal year 1995, we are asking for \$289 million for IVHS research and development, which represents a 35 percent increase over fiscal year 1994 levels.

TRANSPORTATION SAFETY PERFORMANCE GOALS

Mr. CARR. Mr. Secretary, your recently developed strategic plan for the Department includes the goal of promoting safe transportation as one of your highest priorities. This is a rather global goal, however, I know that some of the modes have established more specific goals—the National Highway Traffic Safety Administration is one mode that comes to mind. Some of the other modes have not made as much progress in setting specific safety performance measures. What plans do you have for establishing specific objectives for improving safety performance in each of the modes and across modes?

[The information follows:]

The Department has been making progress for several years on the identification of goals for its programs. The strategic planning process has been useful for determining priorities. To identify specific goals, such as NHTSA's two safety goals to increase seatbelt use from 62 percent to 75 percent by 1997, and reduce alcohol-related fatalities from 45 percent to 43 percent by the same year there needs to be accurate measures. Performance measurement is an integral part of the Chief Financial Officers Act and every mode is required to formulate performance measures and re-

port annually on results. Some of these measures are safety related. For example, the United States Coast Guard has a performance measure for fatality rates per 100,000 recreational boats. Likewise, FAA's performance measures include accident rates by air carrier, commuter, air taxi, and general aviation (accidents /100,000 hours flown). These measurements in turn become goals. While the goal may be broadly identified to reduce accidents in a particular mode, a baseline is identified and benchmarked.

I expect the Department to identify, work toward, and reach safety goals. With the passage of the Government Performance and Results Act of 1993 (GPRA), the Department will be formulating specific goals. There are three GPRA pilots programs underway in the Department, one each in NHTSA, FHWA and the Coast Guard. The Department will improve the specificity of goals as it improves identification of performance measures through the CFO Act and the GPRA.

GOVERNMENT-WIDE TRANSPORTATION SAFETY MEASURES

Mr. CARR. Vice President Gore's National Performance Review (NPR) recommended that the Department develop common government wide measures of transportation safety. Would you comment on the feasibility of implementing this recommendation and what the Department is doing to address this?

[The information follows:]

The Department plans to implement all of the Vice President's recommendations. The goal of this particular recommendation is to develop common, government-wide measures of transportation safety to facilitate communication among agencies and their customers and to permit consumer choice through cross-modal safety comparison. Without common measures of safety and the supporting data collection program, DOT is limited in making cross-modal comparisons of effectiveness. However, we must be careful to not develop a measure that is inherently biased against any mode.

I have directed the study of this issue to my policy office. They are working on a report on safety definitions, measurement options, and data collection. This report is scheduled to be completed early next fiscal year. To date, they have completed a review of current measurements and are working to identify DOT options, test these options against collected data, and then convene an interagency working group to expand the use of measures to other departments and independent agencies.

Mr. CARR. One area needing additional attention is the coordination of safety improvements across the various modes in DOT. To cite just one example, last year two major accidents occurred involving barges colliding with bridges. In one instance, the barge struck a railroad bridge resulting in the Amtrak derailment that killed 47 people. In the other instance, a barge hit a highway bridge in New Orleans, killing one motorist. Both accidents highlighted a number of safety issues involving the Coast Guard, Federal Railroad Administration and the Federal Highway Administration. Has the Department's approach to these cross-model safety issues been too reactive? What plans are underway to improve the Department's coordination on safety issues that affect more than one mode in DOT?

[The information follows:]

We are very concerned about accidents that involve or impact more than one mode of transportation. Addressing cross-modal safety issues is very high on the Department's list of safety priorities. For example, after the Mobile accident, Secretary Peña visited the site to make his own evaluation and, as a result, charged the Commandant of the Coast Guard and the Federal Railroad Administrator to review the circumstances that led to this accident, and to undertake initiatives to minimize the risk of any similar tragedy in the future. On December 10, 1993, the Department forwarded to Congress a comprehensive set of remedial actions that the Department is undertaking as a result of that review.

The Department is constantly analyzing trends and other data and information to identify threats to safety *before* an accident occurs. We do this in FAA, FHWA, FRA, NHTSA, and Coast Guard, and also in OST. The Department forms both ad hoc interagency groups when needed to solve a particular safety problem, and also has formed a number of working groups who meet periodically to discuss common safety issues and provide cross-fertilization on approaches to dealing with them. There are a number of such groups; two examples are:

The intra-Departmental task force to develop a program to reduce crashes at highway-rail crossings. That task force is formed primarily of FHWA and FRA staff but draws also on the NHTSA and FTA.

The intermodal group that meets monthly to discuss hazardous materials issues and coordinate solutions to compliance/enforcement problems, and develops national standards and criteria to protect the public.

ALCOHOL AND DRUG TESTING RULES

Mr. CARR. In February the Department issued long awaited final regulations on alcohol and drug testing of transportation workers who are in safety sensitive positions. The press release issued by the Department indicated that the new rules "will save lives and prevent injuries".

Would you briefly give us the highlights of the new regulations and indicate whether the Department has quantified their life-saving impact?

[The information follows:]

The rules, issued by the Department of Transportation on February 15, 1994, implement the requirements for alcohol and drug testing in transportation industries as prescribed in the Omnibus Transportation Employee Testing Act of 1991. The rules require employers in aviation, railroad, transit, commercial motor vehicle and pipeline operations to implement alcohol misuse prevention programs beginning in January 1995. The rules prescribe prohibited alcohol-related conduct, alcohol testing, education and training requirements, and consequences for rule violations for approximately 7.4 million safety-sensitive employees.

Pre-employment, reasonable suspicion, post-accident, random, and return-to-duty/follow-up testing are accomplished using breath alcohol testing equipment. Random testing rates are determined by the industry positive rate, with an initial rate of 25 percent. The rules prohibit on-duty alcohol use performing safety-sensitive functions with an alcohol concentration of 0.04 or above, pre-duty consumption of alcohol for at least 4 hours, and consumption of alcohol following an accident for 8 hours or until an alcohol test has been conducted. Refusals to take an alcohol breath test are also prohibited. Employees who violate the rules must be removed from safety sensitive duties and be evaluated by a substance abuse professional to determine if treatment or rehabilitation is needed.

The Department has estimated that these rules potentially could save as many as 1,000 lives over the first ten years of implementation. In addition, over this ten year period, the rules project a 20,000 reduction in injuries, a \$78.2 million reduction in property damage and a \$4.1 billion increase in productivity.

Mr. CARR. What is the universe of transportation workers who will be covered under the new rules and how did the Department define which employees are in safety sensitive jobs?

[The information follows:]

Generally, the same categories of safety sensitive transportation employees who are subject to the Department's drug testing rules are covered under these new rules. The significant additions to the coverage of the new rules were mandated by the statute: an additional 3.3-3.6 million holders of commercial driver's licenses who drive vehicles in intra-state operations; and approximately 200,000 transit workers involved in operation, control, and maintenance of revenue service transit vehicles. Determinations of safety sensitive functions were made by each DOT agency based upon considerations of public safety and input from the industries and the public during the comment periods following the proposed rules issued in December 1992. A list of the covered functions/positions follows.

Covered Functions/Positions

Aviation	Commercial Motor Vehicle	Rail	Mass Transit	Pipelines
Flight Crew Members Flight Attendants Flight Instructors Air Traffic Controllers Air Traffic Dispatchers Maintenance Personnel Screening & Ground Security Coordinator Personnel	Drivers (Com- mercial driver's license holders)	Hours of Service Act employees: Engine, train & signal services Dispatchers Operators	Vehicle Operators Controllers Mechanics	Operations personnel Maintenance personnel Emergency response personnel

PRE-EMPLOYMENT ALCOHOL TESTING

Mr. CARR. As you know, the issue of pre-employment alcohol testing has been controversial in the transportation industry. Unlike pre-employment drug testing, some have questioned the value of pre-employment alcohol testing when it is relatively easy for an individual to simply refrain from alcohol use several hours prior to a pre-employment test being taken. What was the basis for your decision to mandate pre-employment alcohol tests?

[The information follows:]

Pre-employment alcohol testing is required under the rules for aviation, railroad, transit, and commercial motor vehicle operations because it is specifically mandated by the Omnibus Transportation Employee Testing Act of 1991. (The details of required testing by workforce and type of test is as follows:

REQUIRED DRUG AND ALCOHOL TESTING
OPERATING ADMINISTRATIONS

TYPE OF TESTS	FAA (AVIATION)		FRA (RAIL)		FHWA (COMMERCIAL MOTOR VEHICLE)		FTA (MASS TRANSIT)		RSPA (PIPELINE)		USCG (MARITIME)	
	D*	A*	D*	A*	D*	A*	D*	A*	D	-	D	-
PRE EMPLOYMENT	D*	A*	D*	A*	D*	A*	D*	A*	D	-	D	-
RANDOM	D*	A*	D*	A*	D*	A*	D*	A*	D	-	D	-
REASONABLE SUSPICION	D*	A*	D*	A*	D*	A*	D*	A*	D	A	D	-
POST ACCIDENT	D*	A*	D*	A*	D*	A*	D*	A*	D	A	D	A
RETURN TO DUTY FOLLOW UP	D	A	D	A	D	A	D	A	D	A	D	-
YEAR RULE ISSUED	88	94	88	94	88	94	94	94	88	94	88	88

D=DRUG

A=ALCOHOL

* TESTING REQUIRED BY OMNIBUS STATUTE

RANDOM ALCOHOL TESTING

Mr. CARR. Several industry groups, notably aviation and trucking, have expressed concerns about the regulatory requirement that employers must randomly test at least 25 percent of all safety-sensitive employees. Not surprisingly, these concerns have centered on the costs of compliance. How did you determine what the appropriate level of random testing should be, particularly since the incidence of alcohol-related accidents in some industries, such as aviation, is quite low?

[The information follows:]

The random testing rate for alcohol testing was set at an initial rate of 25 percent. We selected this rate based on our experience with random drug testing rates and their impact on deterrence and detection of drug use, while recognizing that there are several differences between alcohol and drug random testing. Generally, alcohol symptoms are somewhat better known and easier to detect, thus more alcohol misusers than drug abusers are likely to be caught by observation, which justifies a lower random alcohol testing may not equal that provided by random drug testing because the window for detection is limited by the rapid elimination of alcohol from the body. In addition, there are generally many more programs in place to handle alcohol misuse problems in the workplace than there were to handle drug use problems when we issued the drug rules in 1988.

While the initial random alcohol testing rate is set at 25 percent, the rule provides for a flexible, adjustable rate based on the industry positive rates. Thus, if the aviation industry has a very low positive rate on random alcohol testing (<0.5 percent), the random testing rate for aviation employees could be lowered to 10 percent. Similarly, if the positive rate increases to one percent or above, the industry would be required to increase their random testing rate to 50 percent. We believe this adjustable rate provision is responsive to both the needs of public safety and cost containment for the regulated employers.

A random test rate of ten percent would be insufficient to protect public safety, at least as an initial testing rate. The number of tests conducted at a ten percent rate and the visibility of testing to employees, especially in medium and small companies, would be insufficient to obtain data about prevalence or deterrence of alcohol misuse. We could not reliably make decisions on data gathered with such a rate—at least not for a number of years. If those who say usage is extremely low are correct, when the data gathered at the initial 25 percent rate verifies this, the testing rate can be lowered.

Mr. CARR. Commercial truck drivers make up the vast majority of those workers who are subject to the new alcohol testing rules. Why did you determine that random testing of truck drivers should not be done as part of the roadside inspections that are conducted by state inspectors? Wouldn't that be a very efficient way of conducting alcohol tests, while the drivers and their vehicles are checked for other safety-related violations?

[The information follows:]

Based upon the experience from the four-state pilot project for roadside random alcohol drug testing, we determined that a random roadside program would require extensive state constitutional changes and would result in an unfunded mandate for state law enforcement agencies that would cost more than is currently funded for all motor carrier safety assistance program (MCSAP) functions. In addition, many classes of commercial motor vehicles whose drivers are subject to testing under these rules do not pass through safety inspection points. The cost-benefit analysis did not show that roadside random testing programs would be an efficient and effective means to achieve deterrence of alcohol misuse and drug use by all commercial driver's license holders.

NATIONAL TRANSPORTATION SYSTEM

Mr. CARR. The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) called for the creation of a National Highway Sys-

tem (NHS), which is considered the first major component of a larger, fully coordinated, and integrated National Transportation System (NTS). Drawing from all the transportation modes, the NTS is to incorporate the most significant elements of the nation's transportation systems. Beginning with the NHS, the NTS would include airports, ports, waterways, rail, intercity bus lines, pipelines, and local transit systems with regional impact. The NTS would also include systems moving both people and freight as well as facilities both publicly and privately owned.

What is the overall objective of the NTS and what is the time frame for designating the NTS? Is statutory authority required?

[The information follows:]

The NTS is intended to help us better understand the transportation system and its impacts on our social, economic, and resource bases. This will allow more effective targeting of transportation resources. It will create an environment in which the development of national transportation policy and program management is performed in a more explicit, systematic, and integrated manner. It will allow us to develop and implement a transportation system that is more efficient and cost effective for private operators, public providers, users, and all citizens of the Nation.

It is our intention to identify an initial NTS by the summer of 1995. We will be sharing ideas with, and getting reactions from the Congress in the process of developing the NTS. However, the NTS, in and of itself, makes no changes to statutes or regulations; its identification alone requires no statutory authority. We would, of course, need authority to implement any statutory changes which we might seek as a result of developing and identifying the NTS.

Mr. CARR. How will the funding source for the NTS be determined? If the burden is shared across modal lines, how will the Department counter concerns that some modes of transportation will end up subsidizing other modes?

[The information follows:]

The identification of the NTS does not, by itself, change existing transportation funding arrangements. It will help us understand better how transportation functions as an integrated system. That understanding may suggest different funding arrangements, but it is premature to suggest what they might be.

Mr. CARR. How will the NTS financially deal with privately owned and operated systems, such as freight rail, airports, etc?

[The information follows:]

The NTS does not change existing funding relationships. We recognize the importance of many privately owned and operated systems, and they would be recognized in the NTS. However, we would not expect funding to be extended to transportation operations that are operating effectively without such support.

Mr. CARR. Should designation of the NTS be delayed until it can be developed as an integral component of the NTS? Please explain your position in this regard.

[The information follows:]

No. Designation of the NHS should be completed as soon as possible. State and local officials need to have the designation required by ISTEA completed so that they can proceed with planning and implementing transportation improvements. The NHS proposal was developed with substantial attention to its intermodal connections and, thus, will fit well into the identification of the initial NTS. In the longer term both the NHS and the NTS will need to adjust to changing circumstances. We would expect these adjustments to occur in an integrated fashion.

EXECUTIVE ORDER ON INFRASTRUCTURE INVESTMENT CRITERIA

Mr. CARR. On January 26, 1994, the President signed an executive order (12893) requiring federal departments and agencies to conduct a systematic analysis of expected benefits and costs of al-

ternative federal infrastructure investments. Departments and agencies were asked to submit their plans to the Office of Management and Budget (OMB) by March 15, 1994.

How does the Department intended to meet the order to develop and implement plans for infrastructure investment and management? Will the plan be centrally developed in the Department, or separately by each modal administration?

[The information follows:]

First we would note that many of our programs already comply with the basic principles of the Executive Order. Cost-benefit analyses are completed, pursuant to OMB Circular A-94, for all our major system acquisitions, for example, before funds for acquisition are included in the budget. Many of our discretionary grant programs already have cost-benefit (or cost-effectiveness) analysis built in, and we conduct system-level reviews of our formula grant programs, for example, through the analysis conducted for our periodic conditions and performance reports on highway, bridge and transit systems. We can do more, though, and we are working on improving: our analysis of the benefits of highway investments, the analysis done in support of transit new start applications (as required in ISTEA), and the criteria by which we award discretionary airport grants.

As a first step, each of the operating administrations with infrastructure programs covered by the order are developing their plans to implement the order, and my staff in the Office of the Secretary will combine those into a unified plan for the Department. We would expect discussions among the administrations and with OST staff as the plan is developed.

Mr. CARR. Has the chief financial officer or other official of the Department issued guidance and procedures to implement and enforce the OMB instructions dealing with cost-benefit analysis?

[The information follows:]

The Department's Chief Financial Officer is the official I have asked to take charge of the Department's implementation of the Executive Order. She has not yet issued detailed guidance or procedures to implement or enforce the order. We have received general guidance from OMB, and we think the first step is to assess just where we are with respect to each of the programs subject to the order. The notion behind the short deadline for submitting implementation plans was to get a quick "snapshot" of each program's status and an assessment of what is required to achieve full compliance. As we proceed, there may be a need for more specific guidance—from the Office of the Secretary or from OMB. For example, there should be consistency in valuing comparable benefits. But such guidance should only be issued as the need for it becomes clear.

Mr. CARR. What elements of the Departmental decision-making process are likely to be most greatly affected by the development of such a plan?

[The information follows:]

The most obvious impact will be on award of discretionary grants. Where cost-benefit analyses are not currently used in making those decisions, we will be moving toward greater use of efficient management of infrastructure, and we will be looking closely at the extent to which reviews of infrastructure management are now conducted. We will also be encouraging recipients of our formula grants to implement the principles of the Executive Order in their programs, and we will assess the extent to which our system-level reviews (such as the biennial report on the condition and performance of highways, bridges, and transit systems), which provide a basis for budget decision making, tell us how well the principles of the Executive Order are being followed in programs supported by our formula grants. Ultimately, it is expected that the information generated as a result of implementing the order will have a major impact on budget and reauthorization decisions.

Mr. CARR. The executive order notes the potential for greater agency attention to management practices that can improve the return from infrastructure investments. What do you consider the

most significant Departmental initiatives for fiscal year 1995 that will generate greater returns on investment?

[The information follows:]

Probably the most significant development in terms of more efficient infrastructure management in the next two years will be implementation by states and metropolitan planning organizations of the management system regulations require by ISTEA and issued by FHWA and FTA last year. Those require precisely the kinds of management information improvements that will be necessary to improve infrastructure management. Congestion management is one focus of those management systems and, of course, a fundamental issue in many areas of transportation. We are looking at steps we can take to improve congestion management and the use of infrastructure.

Mr. CARR. The executive order also asks departments to encourage state and local recipients of federal grants to implement planning and information management systems that support the principles of the executive order. How will this be achieved?

[The information follows:]

The ISTEA management systems are the foremost and best example. In other areas, we would encourage grantees in an informal way to improve planning and management information systems. If it became clear that stronger measures were needed, we would consider proposing statutory requirements (like the ISTEA management systems) in the future.

RESEARCH AND DEVELOPMENT PLANNING

Mr. CARR. The National Performance Review included a recommendation that the Department of Transportation, "develop an integrated National Transportation Research and Development Plan". Specifically, the National Performance Review stated that DOT should examine the nation's transportation-related research and development portfolio and develop an integrated national transportation plan that considers specific transportation research needs as well as intermodal transportation plans.

Have you been asked to take the lead in establishing an Interagency Coordinating Committee on Transportation Research and Development?

[The information follows:]

Under the National Science and Technology Council, an Interagency Coordinating Committee on Transportation R&D has been established. This committee is chaired by the Deputy Secretary of DOT. Other departments such as Defense, Commerce, Energy, EPA and NASA are represented on the committee. Additionally, the Office of Management and Budget, Office of Science and Technology Policy, National Economic Council, U.S. Trade Representative and Domestic Policy Council are also represented on the committee.

Mr. CARR. The observation could be made that the Department's own research and development activities need to have more attention paid to them. DOT currently does not adequately coordinate its research and development activities. All too often, these activities appear fragmented among the individual operating administrations with little coordination. This lack of coordination may make the development of an integrated national transportation research and development plan more difficult. How do you respond? Do you think this is a fair assessment?

[The information follows:]

For many years, the Department's research activities were solely tied to each mode's own mission with little coordination by the Secretary's Office. For proper coordination and implementation of an integrated national research and development

plan, it is necessary to have a research and technology focus in the immediate office of the Secretary. Recognizing this need, the Department hired a new Director of Technology Development who will integrate research and development activities in all the different agencies.

Mr. CARR. Has DOT compiled a list of all on-going research and development within its operating administrations so it knows exactly what is in its portfolio?

[The information follows:]

The department has not yet compiled a list of all on-going research and development within its operating administrations. However, as part of its strategic planning activities, the department has initiated the process of gathering information on all on-going and future research priorities from all the operating administrations. The information will include survey all the short term and long term research activities in the department to determine how well the ongoing R&D activities meet the strategic plan of the department.

Mr. CARR. Some analyses of the department's research and development activities have excluded the largest engineering development programs, such as AAS. Are you confident that DOT's understanding of what constitutes research and development is accurate and in agreement with government wide principles?

[The information follows:]

Any R&D activity could be categorized as basic research, development research or applied research. Basic research is aimed at advancing fundamental knowledge. Developmental research and applied research includes developing new technologies and applying them to solve specific problems. Development of technologies and its applications move from research to deployment when it has advanced far enough to translate from prototype into production.

Advanced Automated Systems (AAS) was at one time part of the department's research activities. However, it was moved out of research during the Bush administration. It was considered at that time to have passed the stage of research and moved into deployment category, perhaps prematurely. Since including production in research would require an enormously large budget, it is prudent to keep such deployment activities as AAS outside the R&D activities. We believe that our understanding of what constitutes research in transportation is accurate and is not in conflict with government wide principles.

INTEGRATED NATIONAL TRANSPORTATION R&D PLAN

Mr. CARR. What are your plans and milestones to develop an integrated national transportation research and development plan?

[The information follows:]

The Director of Technology Deployment in the Department is compiling the information on research priorities for fiscal year 1996 and beyond from each of the modal administrations. It is anticipated that these projects and programs will be categorized by modes into broad categories as system assessment, infrastructure, information infrastructure or vehicles. Other candidate research and technology areas will be identified through outreach and other activities this spring. Under the National Science and Technology Council, an Interagency Coordinating Committee on Transportation R&D chaired by the Deputy Secretary of U.S. DOT has been set up. This committee composed of representatives from other departments will discuss the transportation R&D priorities and reach a consensus. The Department will then examine these R&D priorities against their contribution to sustainability, public safety and security, personal mobility and access, and to national economic health. This process is expected to identify gaps in research, duplication of efforts if any, and determine how well the transportation R&D meets the national goals.

This process will lead to an integrated transportation research and development plan which would impact the fiscal year 1996 budget decisions.

Mr. CARR. How specific will the plan be concerning the operating administrations' specific research and development activities?

[The information follows:]

The integrated research and development plan being considered in the Department is in its conceptual stage at the present time. It is envisioned that it would include the operating administrations' specific research and development activities that are either intermediate or long term in nature.

Mr. CARR. How will you integrate this plan into a department wide research and development management process?

[The information follows:]

The success of the national transportation R&D plan will depend upon how well these plans are managed and monitored in the Department. Consequently we have established a central focal point in the Director of Technology Deployment. We are in the process of further developing a process in the Office of the Secretary to oversee transportation-related R&D and to successfully manage these programs.

BUDGET RESCISSION SNAFU

Mr. CARR. A casual look at the President's budget submitted on February 7 might leave one with the impression that the Department of Transportation fared pretty well for 1995. cursory examination would indicate that the highway portion of ISTEA is fully funded, that although operating subsidies are down \$200 million, overall the transit program is up \$179 million above for the FAA and \$173 million for the FRA.

This is pretty good, especially when one considers that the total discretionary budget authority for programs funded by this Subcommittee is virtually unchanged from last year. How was the Department able to do all this? By suggesting rescissions of highway demonstration projects of \$2.2 billion in 1994 and \$817 million in 1995. The problem, as you know well, is that the rescissions have not been officially transmitted. The bottom line is that the DOT budget assumes savings in 1995 of more than \$800 million in budget authority and more than \$400 million in outlays from rescissions that do not exist.

The administration's proposed solution, which I believe has very little chance of being enacted in its present form, would not solve the budget authority problem. Even if the Congress were to recommend lowering the obligation limitation in the federal-aid highway program by \$2 billion or more to address the outlay problem there is still the \$800 million budget authority issue. One possibility would be to hold every program at the 1994 level.

Mr. Secretary, how was this situation allowed to happen?

[The information follows:]

The fiscal year 1995 budget assumes savings associated with the National Performance Review recommendations which included the rescission of highway demonstration projects. However, given the sensitivity of the issue, the President did not include the highway demonstration projects in the formal rescission proposal submitted with the budget. As a result, the administration has indicated that we will work with Congress to achieve the savings.

Mr. CARR. The Office of Management and Budget prided itself on making the tough choices and not submitting budgets with illusory savings or revenues. That may be true in the main, but in the case of transportation in general and highway funding in particular, the budget is not what it purports to be. Wouldn't the most honest approach be the submittal of a budget amendment that reflects no major rescission of highway demonstration projects and either increases the total or makes alternative recommendations?

[The information follows:]

The Office of Management and Budget has informed both the House and Senate Budget Committees that the assumption of \$817 million in budget authority savings credited to transportation is an error because a detailed rescission proposal to achieve the savings was not transmitted. It is our understanding that the Budget Committees will support an upward adjustment in budget authority for the transportation function given that the President's budget does not fully utilize the budget authority caps for fiscal year 1995.

DOT STRATEGIC PLAN

Mr. CARR. Mr. Secretary, the principal financial recommendation of the Vice President's National Performance Review concerning transportation programs was rescinding highway demonstration funding. One of the objectives of goal number 7 of your strategic plan is to "implement the National Performance Review recommendations at DOT by reinvigorating what works well, eliminating what is not necessary and reinventing that which could work better."

We have seen what has happened to that proposal. Obviously, actual experience is not going to track 100 percent with a strategic plan. But this and other elements of the plan make one wonder if the plan is really going to be integral in the operation and management of the Department or merely another well meaning document with little practical application. How do you respond both to the particular and the general observation?

[The information follows:]

In an era of national deficit reduction, there are not enough transportation dollars to meet all of the needs associated with a safe, sound and effective infrastructure. Hence, the strategic plan is a framework for establishing priorities and ensuring strategic, cost-effective use of resources. The plan is not a guarantee that we will succeed at everything we do, but rather a guide for making decisions and planning courses of action.

HIGH SPEED RAIL

Mr. CARR. The Administration's fiscal year 1995 budget proposes to take a different approach on high speed rail. Instead of federal grants for development of specific rail corridors, the budget suggests that the federal role should be to assist in the development of high speed rail technology. Would you comment on the rationale that led to this change of direction?

[The information follows:]

In our fiscal year 1995 budget, we are doing first things first—planning and technology development—as logical prerequisites to further investigate in a high-speed ground transportation (HSGT) program.

We will devote \$3.5 million to the ISTEA-mandated commercial feasibility study and its follow-up, a national high-speed ground transportation policy. This study will enable us to identify the types of corridors where HSGT may make sense, and to evaluate the costs and benefits of different levels of HSGT in such corridors. The result will be recommended investment criteria and guidelines for next generation rail passenger service in the U.S.

To enable next generation rail service over existing rights-of-way, we will invest \$33.1 million in technology development, to include:

- Signal, train control, and grade crossing protection technologies;
- Adaptation of lightweight materials from aerospace air frames to HSGT uses;
- Non-electric locomotive prototype development;
- Demonstrations of other innovative defense conversion efforts; and
- R&D to improve HSGT safety and environmental analysis techniques.

We will explore ways of working with Amtrak on high speed rail activities.

Our research, analysis, and development activities in fiscal year 1995 will help shape our long-term HSGT program objectives.

Mr. CARR. Is the administration still supporting enactment of the high speed rail bill introduced last year (H.R. 1919)? If not, will you be proposing new legislation this year regarding high speed rail?

[The information follows:]

The legislation that we introduced last year reflects the administration's vision for the development of high speed rail. While we remain committed to supporting the development of high speed rail in our nation's congested corridors, the enactment of tight spending restrictions subsequent to the introduction of our high speed legislation had required us to make difficult choices. At this point, we believe that we need to take one step at a time. Therefore, we are focussing on planning and technology development as logical prerequisites to a high payoff high speed ground transportation (HSGT) program. Demonstration of new grade crossing technology and development of a prototype non-electric high speed locomotive, among other initiatives, will help identify true costs of high-speed corridor development. At the same time, acceleration of the national commercial feasibility study and high speed ground transportation policy called for by the Intermodal Surface Transportation Efficiency Act of 1991 will provide a national blueprint for high speed rail. We will be working with Congress toward enactment of legislation to support our overall approach, consistent with the administration's vision for the development and implementation of high speed rail.

AIRPORT REVENUE DIVERSION REPORT

Mr. CARR. Mr. Secretary, as you know, the Committee recently released the findings of our Surveys and Investigations staff report on airport revenue diversion. They found extensive diversion, and only surveyed a few airports. But perhaps more importantly, they found the department's enforcement of the existing revenue diversion laws to be highly deficient. In fact, virtually non-existent would be a better description.

Do you agree that the department's enforcement mechanisms need to be strengthened?

[The information follows:]

The Department and the FAA have to place greater priority on enforcing the prohibitions against revenue diversion. In this regard, the FAA and the Office of Inspector General will work together to assure that airport sponsors are fulfilling their airport revenue obligations.

The FAA will amend, as necessary, the audit procedures in the compliance supplement for single audits of state and local government to place greater emphasis on monitoring of airport revenues. FAA will rely on the results of these audits, third party complaints, and other appropriate indicators to identify airport sponsors that may be diverting revenue. The FAA will forward the identified airport sponsors to the OIG so they can conduct an audit to verify whether or not revenue diversion has occurred. Once verified, the FAA will take appropriate enforcement action against the airport sponsor.

Mr. CARR. What do you think would be a reasonable timetable for putting those improvements in place?

[The information follows:]

The mechanisms have already been initiated and will be in place by the end of fiscal year 1994. We are reviewing each airport where revenue diversion has been identified and are developing a timetable for taking appropriate enforcement action.

CONGESTION PRICING

Mr. CARR. Anthony Downs has written a new book titled "Stuck in Traffic: Coping with Peak-Hour Traffic Congestion." In it, he offers 23 actions that can be taken to lessen peak-hour congestion. He divides these 23 actions into eight supply-side and 15 demand-side tactics. Downs concludes that only two of the 23 tactics could

produce a significant reduction in peak-hour traffic congestion by themselves. These are peak-hour road pricing on major arteries and instituting a sizable special fee for all parking during morning peak hours. Of the 23 tactics, 11, including the two potentially most effective, only have "poor" political acceptability. Undoubtedly, this reflects the driving public's reluctance to give up solo driving habits or pay more for highway and parking services. Downs recommends that the U.S. Department of Transportation finance an areawide experiment with peak-hour road pricing in a moderately-sized but heavily congested metropolitan area.

What do you think of this suggestion? Does the Department have a good estimate on how much such an experiment would cost? [The information follows:]

We believe that the market pricing solutions suggested by Anthony Downs have a very great potential for improving the management of urban transportation facilities. Although congestion pricing is not a substitute for necessary capacity expansion, charging for roadway use based on the time and/or location of travel to encourage travelers to shift to alternative times, routes, modes, or trip patterns during peak traffic periods can moderate demands on existing capacity and reduce the need for future capacity expansion. As it has in many other areas of the economy, including uses by telephone companies, electric utilities, and in air transportation, we believe that pricing can help improve resource allocation in transportation.

Yet, it must be recognized that congestion pricing, by its very nature, is not a popular concept. It involves establishing a monetary charge for something that has in the past been free—the use of space on congested roads. If the potential efficiency advantages of congestion pricing are to be realized, the concept must be introduced gradually as part of a process that includes substantial public participation in the design and evaluation of potential projects. The availability of federal funds is not the critical issue. Decisions to adopt congestion pricing must be made at the local level by local politicians, most of whom would not be willing to trade a short-term influx of federal dollars for an adverse voter reaction to the project.

The Department of Transportation's congestion pricing pilot program is designed to set up operational tests of congestion pricing in order to demonstrate its benefits and learn more about potential problems of project design, implementation, and operation. Over the past two years, the Department of Transportation (DOT) has undertaken a number of outreach efforts designed to generate interest in congestion pricing and other market-based solutions to transportation problems. In addition, FHWA has issued three Federal Register notices on the congestion pricing pilot program providing program guidelines and soliciting participation in the pilot program. Despite these efforts, and the promise of up to \$45 million per project, only one proposal appears to be close to implementing a congestion pricing project designed to restrain traffic demand. Even that proposal (to implement congestion pricing on the San Francisco-Oakland Bay Bridge) has several implementation barriers to overcome before congestion pricing is actually put into effect. Thus, we do not believe additional funding is necessary to promote congestion pricing. What is needed is an educational effort designed to foster local-level commitment to implementation of congestion pricing. These are the kinds of activities we are pursuing under the pilot program. We expect to initiate agreements with additional program applications over the next several months to support necessary pre-project activities.

AMERICA'S TRAVEL BEHAVIOR

Mr. CARR. Last year the Federal Highway Administration released a report entitled "Travel Behavior Issues in the 90's". That report utilized the most recent survey data on personal transportation and housing trends in this country. That report found, among other things, that:

For people traveling by personal vehicle, average speed to work actually increased between 1983 and 1990; whereas for mass transit, the average speed declined.

Mass transit travel times to work were already more than double private vehicle travel times in 1993, and got longer by 1990, even though trip lengths decreased in transit work trips.

The current administration and this Congress are both committed to support of mass transit. But it would appear that, if these data are true, a lot of work is needed to improve transit use in this country. Indeed, transit may be losing its foothold in many urban areas.

What do you think is needed to address the issue of weak transit ridership across the country?

[The information follows:]

Transit patronage increases with improved transit services in an environment of increasing traffic congestion, increased parking costs and other factors that discourage low occupancy auto use. Increased funding for transit capital improvements could have dramatic effects on transit patronage. In the years from 1980 to 1990, when investments in transit rail services came to fruition in many areas, passenger miles traveled on transit rapid and commuter rail services increased an estimated 3 percent per year or approximately 30 percent over ten years. In Washington, D.C., for example, Metrorail provided 33 route miles of service in 1980 with patronage of 380 million passenger miles. In 1990, Metrorail provided 156 route miles of service with patronage of 967 million passenger miles.

As indicated in recent Department reports on highway and transit performance and needs, transit is expected to play an increasing role to meet urban travel demand in lieu of expanded highway capacity in many congested urban corridors. Among the factors that will contribute to this scenario are those actions state and local authorities and citizens will undertake, particularly in severe and extreme nonattainment areas, to comply with the Clean Air Act Amendments of 1991. The President's climate change action plan calls for the cashing out of tax-free employer provided parking, allowing motorists to opt for cash rather than a free parking space. We estimate that 95 percent of American workers receive free parking from their employers and many will choose transit to save money. With more passenger, the quality of transit service generally improves due to more frequent service, attraction even more passengers.

The Department of Transportation is conducting a congestion pricing demonstration. If this demonstration is successful, other areas are expected to eventually adopt congestion pricing which promises to improve the flow of traffic on congested facilities while simultaneously generating revenues needed to fund highway and transit alternatives. An important preliminary finding of our research on pricing is that high capacity transit service as an existing and proven alternative to highway travel may be an important ingredient in winning public acceptance of highway pricing. Transit capital and operating costs for alternate services are eligible expenses in the congestion pricing demonstration program. The National Academy of Sciences is scheduled to issue a Department sponsored study on congestion pricing with policy recommendations in June of this year.

The flexible funding provisions of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) will contribute to transit's ability to attract passengers as local planners discover more effective ways to use their scarce, but newly flexible, capital resources to meet travel demand without worsening air quality or stimulating even more highway demand through new highway construction.

Our budget request for transit has two specific elements that could help to promote transit ridership: a 40 percent increase in formula capital funds that will support purchase of new vehicles providing better service and a provision that 10 percent of section 9 funds go to congestion mitigation.

Mr. CARR. The report also concluded that "changing job patterns, particularly the shift to services, have tended to move work trips away from traditional peak periods. All of this has the effect of improving speeds. One-third of all new workers added between 1983 and 1989 reported that they leave for work before 6 a.m." The implication is that people are willing to leave for work earlier in the morning in order to drive to work and minimize their commuting time. What does this tell us about the potential for increasing transit use?

[The information follows:]

The Federal Highway Administration report, entitled "Travel Behavior Issues in the 90's," indicated that one-third of new workers added between 1983 and 1990 said they leave for work before 6 a.m. What this could mean for transit depends on the reasons people are leaving for work earlier in the morning.

The cited report suggests that increased earlier departures for work may be driven by a desire to avoid traffic congestion. This should be tested with the upcoming National Personal Transportation Survey and decennial census data. If increased highway traffic congestion is pushing people out of the normal peak travel period, the same desire for a faster trip could increase transit patronage, but only in corridors where transit vehicles travel on separate rights of way, e.g., rails, HOV lanes, or busways, and thus offer a travel time advantage. In such corridors, separated guideway transit can act as a means for commuters to avoid traffic congestion by leaving their cars at home.

Studies of intensive travel corridors demonstrate this phenomenon. Along the travel corridor between Jamaica, Long Island and Midtown Manhattan, for example, door-to-door travel times on transit and the highways (using the tolled midtown tunnel) are identical. The two modes exist in equilibrium because, when the highway travel times begin to "decay," people switch to the subway until highway speeds increase to the point where it is no longer a travel time advantage to switching.

Elsewhere in the FHWA report, there is strong evidence that travel distances grew substantially in the last decade, so that commuters may be leaving earlier because they have to travel farther to work. Work related trips increased by almost 3 miles between 1983 and 1990, from just over 11 miles to 14 miles on average. If early departures are strongly related to this trend, which may have more to do with housing prices than traffic congestion, it would continue the trend of development away from the dense settlement patterns that transit can efficiently serve. Collecting passengers from dispersed origins in the morning and distributing them in the evening increases travel times to unacceptable levels while pushing the per trip costs to levels that are unacceptable to agencies that subsidize transit.

If, as is suggested in the city report, a changing job mix (i.e., more service occupations) allows more travel during the shoulders of the peak period, transit could benefit. If travel dispersal remains constant and the peak period covered a wider span of time, internal efficiencies in the scheduling of transit vehicle operators could accrue to the transit system. Serving two morning and parallel evening peaks would be good for transit's internal efficiency. In such a market, twice as many passengers could be served with relatively little increase in the payroll or the fleet.

TRANSIT OPERATING SUBSIDIES

Mr. CARR. One of the more controversial proposals in the Department's 1995 budget is the 25 percent reduction in transit operating subsidies. It is true that the administration's proposal reflects increases in capital grants that, solely in terms of dollars, more than offset the operating reductions. This, however, may miss the point.

Is the underlying reason for the operating subsidy reduction a need to cut programs with high spendout rates in order to save outlays or a policy decision that federal operating subsidies for transit are too high?

[The information follows:]

Our budget provides for full funding of the \$2.865 billion ISTEA authorized level for formula grants.

Within this \$2.865 billion level, we reduced by 25 percent the fiscal year 1994 operating assistance cap, going from \$802 million to \$600 million, while increasing capital assistance by 40 percent from \$1.613 billion to \$2.265 billion. The combined effect is that all transit authorities will still receive about a 19 percent increase in their total formula grant apportionment.

In order to achieve this 19 percent increase in the face of spending caps that permit no overall growth in discretionary spending, we had to make the hard choice to reduce operating assistance.

Our rationale behind this budget is that capital investment is more strategic than operating assistance. In other words, capital investment allows replacement of overage vehicles, reduces the burden that traffic congestion imposes on our national

economy, and helps transit operators meet the challenges of the Clean Air Act and the Americans with Disabilities Act.

Mr. CARR. Will you please explain how the problem of local governments having insufficient resources to pay transit operating costs is improved by cutting the federal subsidy for these costs—and then increasing capital grants—which ultimately will lead to even greater operating costs that local governments will have to pay?

[The information follows:]

We appreciate the problem that operating costs present to transit agencies. However, we believe that transit authorities can accommodate a fairly small cut in their overall operating budgets because: new buses reduce fuel and maintenance costs, low inflation holds down wage increases, low interest rates allow debt refinancing and reduced debt service costs, local government can increase transit revenues, e.g., dedicated taxes and congestion pricing.

In large areas our operating assistance cut means that local areas will pick up, on average, just 1 percent more of operating costs. For example, in New York City that means an additional \$33.3 million, in Chicago an additional \$12.8 million, and in Philadelphia an additional \$8.0 million.

Admittedly, the reduction will have a greater impact on smaller areas. But again, we're talking about locals picking up an additional 3 to 8 percent of costs.

The 40 percent increase in transit capital assistance will likely be used primarily to reduce the outstanding backlog in equipment replacement needs nationwide. For example, the Washington Metropolitan Area Transit Authority (WMATA) has a fleet of 1,688 buses, 51 percent, or 876, of which are older than FTA's recommended life span of 12 years. These older buses are unreliable, costly to operate in terms of fuel and maintenance costs, emit pollutants and do not meet the requirements of the Americans with Disabilities Act (ADA). Newer equipment costs less to operate due to lower fuel and maintenance costs. New vehicles spend more time on the street providing service than in the garage being repaired. And new vehicles burn cleaner, assisting our localities in meeting the Clean Air Act and are also accessible to the disabled.

STATUS OF COMMERCIAL AIRLINE INDUSTRY

Mr. CARR. During the 1990–1992 period, the commercial airlines in this country lost billions of dollars. However, over the past two quarters the financial condition of the domestic airline industry has improved, and most analysts predict that a long-term recovery is underway. Even the Air Transport Association economists believe that 1994 will be a profitable year for the industry. Would you agree with that assessment?

[The information follows:]

The airline industry did experience a substantial turnaround during 1993. Preliminary results suggest that the industry losses for 1993 were reduced by about \$2.5 billion compared to 1992.

Most airlines experienced substantial improvement, and several experienced net profits. Improvement in the general economy was part of the reason for the turnaround. Traffic did show modest growth over the artificially high levels for 1992, which were stimulated by the half-price fare war. Average fares for 1993 were up and, coupled with traffic growth, produced substantially higher revenue.

All airlines are working very hard to reduce costs, and this has also contributed to the improvement. Excess industry capacity, which has been a major problem for the past several years, has been reduced. Favorable fuel prices have also contributed to the turnaround.

The consensus among industry forecasters is for a profitable industry for 1994, with net profits of \$1 billion or more.

Mr. CARR. Would you say that our airline industry today is worse off financially than other transportation industries such as merchant shipping, trucking, or motor vehicle production?

[The information follows:]

The airline industry's financial performance in the last two or three years has been significantly poorer than that of other transportation industries. This is especially true if one focuses on the major carriers in these industries or on the major carriers that carry the bulk of the traffic. (It should be noted, however, that the relatively high debt equity ratios of some carriers are the result of financial and business strategy decisions made by their management in the 1980s.)

To the extent that one defines industry health by the debt-equity ratio, the current condition of the major airlines represents a significant deterioration from their situation four or five years ago. Indeed, these ratios are probably at, or close to, historical highs.

The other transportation industries, although having suffered from the recent recession, today are in relatively good financial health. For example, most of the major rail carriers are earning respectable profits.

The motor carrier industry's financial performance is probably the most difficult to characterize. It is, of course, a highly atomized industry with many thousands of carriers. The motor carrier industry is also highly adaptable and overall it is enjoying relatively good financial results. Continued low fuel prices have been a positive factor for the industry.

The inland barge industry has had a relatively bad time for the last several years, encountering both severe drought, with low water, and massive flooding, both of which have served to deprive the industry of business that they otherwise might have had. For a relatively small number of marginal companies, this has meant business failures, but like the motor carrier industry, the barge industry as a whole has proven highly adaptable.

Nevertheless, the airline industry did experience a substantial turnaround during 1993. Preliminary results suggest that the industry losses for 1993 were reduced by about \$2.5 billion compared to 1992. The consensus among industry forecasters is a profitable industry for 1994, with net profits of \$1 billion or more.

AIR TRAFFIC CONTROL CORPORATION

Mr. CARR. One of the administration's major initiatives this year involves the conversion of air traffic services from the government to a federal corporation. It has been alleged that a major reason we need a corporate structure is to avoid the inconsistent and unstable funding provided by the annual appropriations process. In fact, in an interview with the National Journal, you are quoted as saying that "we do not have long-term, consistent funding to ensure that new technology and advancement in the system is able to be brought on line in the context of a year-to-year appropriations process". I have a hard time accepting the notion that we have not provided adequate or stable appropriations for the FAA over the past 10 years. This is particularly the case with the modernization program, which has a multi-billion dollar balance of unused (unobligated) funds.

Do you have any statistics or other indications to back up the view that we have not provided adequate funding?

[The information follows:]

Our emphasis has not been on the inadequacy of funding for air traffic services, but on the lack of stability. Adequacy is very difficult to define, although it is the case that Congress has consistently provided less than the President's Budget sought for FAA's Facilities and Equipment account, and the Department consistently appealed the reductions. The reductions in the appropriations process have not been the only reductions. As you know, traditionally, FAA's request has been reduced during the Office of the Secretary review and during the Office of Management and Budget review. At each stage of the decision process, priorities are being weighed in order to distribute limited discretionary spending authority among competing deserving demands.

If air traffic services were being provided by a business, however, spending would not be constrained by an artificial cap or in deference to other, competing government programs. Instead, spending decisions would be based on estimates of returns on aviation users' investments. If a new program would more than pay for itself in

terms of benefits to users, it would be funded, whatever the effect on total spending and revenue requirements.

It is that notion and the notion that a business needs to be able to do financial planning and make decisions about programs to pursue well ahead of actually beginning the programs that underlie our proposal to restructure FAA's air traffic services as a government corporation.

Mr. CARR. What role would the Secretary of Transportation play with respect to management and oversight of the new corporation?
[The information follows:]

That is one of the many issues that the interagency team is considering as it develops a plan for restructuring air traffic services.

Mr. CARR. Why did the administration opt to support the Air Traffic Control (ATC) corporation proposal before the department's task force had completed its work on other options?

[The information follows:]

The ATC corporation was the specific recommendation before the administration as a result of the National Performance Review and the National Airline Commission. A great deal of thought and study had gone in to developing that recommendation. Nevertheless, the administration will listen carefully to the recommendations of its committee of experts, and, if the committee were to recommend a different structure, we would, of course, consider that recommendation.

Mr. CARR. According to the National Airline Commission, much of the problem with current ATC management involves acquisition and personnel laws and policies which limit the FAA's flexibility. However, it has been noted that we do not need to create a corporation in order to waive federal acquisition or personnel rules. What specific benefits could we expect from a federal corporation that we could not get from a revised governmental structure and from waiving legal and administrative requirements which may be a particular problem for the FAA?

[The information follows:]

Our goal is to make air traffic more business-like, and that requires streamlined procurement, simplification of the personnel process, funding stability, and leadership continuity. Particular personnel and acquisition constraints could be addressed by specific waivers, but that would be a piecemeal approach. We think the solution is a comprehensive restructuring with reforms in all these areas.

Mr. CARR. How would a federal corporation deal with the problem experienced with ATC modernization, and particularly the cost and schedule problems with the advanced automation system (AAS)? What would they do differently from the FAA?

[The information follows:]

A basic objective for restructuring air traffic as a government corporation is to make ATC more business-like and to overcome chronic impediments to good management like the burdensome procurement regulations that have frustrated efficient and effective delivery of ATC services. In an area of fast moving technological change, the procurement system within which FAA must operate too often results in yesterday's technology being provided the day after tomorrow. We believe that a corporate structure would permit the procurement process to become more responsive to the research and development community and the private sector. The ATC system would be able to take advantage of advances in technology on a much more timely basis.

The Advanced Automation System has had schedule delays and its cost will be significantly higher than original projections. A corporate structure might not have prevented all of the problems that AAS has encountered, but one objective we have for restructuring is better accountability in identifying and deciding on changes to requirements that influence contract performance and cost.

Mr. CARR. How will the administration deal with the fact that removing the airport and airway trust fund from the budget will automatically increase the deficit by the amount of the cash balance, currently about \$9 billion?

[The information follows:]

That is one of the many issues that the interagency team is considering as it develops a plan for restructuring air traffic services.

LOS ANGELES INTERNATIONAL AIRPORT CONTROVERSY

Mr. CARR. The recent controversy between Los Angeles International Airport and its tenant air carriers threatened to result in a loss of air service to and from Los Angeles. The Secretary was actively involved in negotiating a settlement in that dispute. Could you explain your overall policy in dealing with future problems between air carriers and airports over the setting of reasonable rates?

[The information follows:]

The Department's policy was set forth in letters signed by the Secretary, and sent to all parties in the LAX dispute on December 10, 1993. The policy statement relies on air carriers and airport operators to try to resolve their differences in the first instance, but signals that the Department of Transportation will hereafter become actively involved in resolving future impasses. The policy statement concludes as follows:

"The more engaged approach of the Department outlined here is intended to assist parties in negotiating and establishing airport rates and charges in a way that will continue to serve the traveling public and the national economy. The active involvement of the Department in the issue of airport charges should in no event displace the process of local negotiation of [airport] rates in good faith between the affected parties."

BOSTON RAIL LINK

Mr. CARR. The Secretary was quoted in the Boston Globe last year as saying it was unclear whether a rail link through Boston, connecting North Station and South Station, made sense in light of its high estimated cost. Would you elaborate?

[The information follows:]

The intention of the statement to the Boston Globe last year was to state that it is important to make sure that the benefits of the proposed rail link between North and South Stations are large enough to warrant an investment of the magnitude required. The Commonwealth of Massachusetts estimates that phase I of the project, a two-track tunnel, would cost close to \$2 billion. The feasibility study now being conducted by the Federal Transit Administration (FTA) will help us determine whether such a large expenditure of funds would be prudent.

Additionally, the Commonwealth of Massachusetts is doing their own feasibility study. We expect that the Commonwealth will have to closely examine the financial feasibility of North-South Stations rail link in light of the financial burden of the completion of the Central Artery project.

Mr. CARR. Will the department perform a cost-benefit analysis pursuant to the new executive order before any federal funding is requested for such a project?

[The information follows:]

The Federal Transit Administration (FTA) is currently conducting a feasibility study of a proposed rail link between North and South Stations in Boston. The study is examining costs, benefits, cost effectiveness, and financial issues, as is customary for projects where funding has been requested from FTA. FTA is closely coordinating their effort with the Federal Highway Administration, Federal Railroad Administration and Amtrak. We anticipate the results of the study to be released within the next few months.

If the Department chooses to request future funding for this project, the request will be consistent with the Executive Order of January 31, 1994, "Principles for Federal Infrastructure Investment".

NEW YORK CITY TRAIN STATION RENOVATIONS

Mr. CARR. One of the striking additions to the department's fiscal year 1995 budget is \$90 million for renovations to the James A. Farley Post Office Building in New York City and related renovations of Penn Station. In such a tight budget year, why is this effort considered to be a high priority?

[The information follows:]

Amtrak expects that when it completes its New Haven to Boston electrification project and implements three-hour service between Boston and New York, its business in this corridor will grow at least 25 percent. The increased volume will severely tax Pennsylvania Station's already strained passenger-handling capacity. Penn Station is already the nation's most heavily used intermodal transportation facility. Some 38 percent of Amtrak's riders begin or end their trip at Penn Station.

With the vacating of the James A. Farley Post office, a special opportunity exists to make a wise intermodal infrastructure investment. Tracks and platforms from Penn Station extend directly under the post office building. Intercity rail, commuter rail and subways can be interconnected with relative ease. Moving intercity train operations into the Farley facility is regarded as less costly than alternative ways to expand capacity at Penn Station.

Mr. CARR. Did the Department request this program in its submission to the Office of Management and Budget, or was it added at the direction of OMB?

[The information follows:]

Funding for the renovation of the Farley building and the Penn Station in New York City was added to the budget to support the President's commitment of support which was made on October 28, 1993, when he said: "Today . . . I asked Congress to act on the vision of Mayor Dinkins and Senator Moynihan so that the federal government can work with New York City and New York State to build a new railroad station inside the old Post Office on 233rd Street in Manhattan. For more than half a million commuters every day Penn Station is the gateway to New York City. We can build a beautiful new station worthy of this great future and this great city."

Because the President's commitment was made after DOT had submitted its budget to OMB, the funding was not included in our original request.

EPA'S CONFORMITY REGULATION

Mr. CARR. The Department's strategic plan includes the objective of harmonizing transportation policies and investments with environmental concerns, and that one of the ways to achieve that goal will be working closely with EPA, the Department of Energy, and MPSs to implement fully the Clean Air Act Amendments of 1990. Last November the U.S. Environmental Protection Agency issued its conformity regulations, with the knowledge and participation of the Department of Transportation.

Are you aware that the EPA's final rulemaking included provisions that prohibit federal funding of transportation projects in non-attainment areas that do not contribute to reductions in nitrogen oxide emissions?

[The information follows:]

DOT is aware of the nitrogen oxide (NO_x) provisions in the transportation conformity rule and their potential to delay highway and transit projects. The rule requires the NO_x "build" emissions to be less than the "no build" emissions, and to stay below the 1990 levels, during the periods before EPA approves a revised state implementation plan (SIP), and in non-attainment areas where no SIP revision is

required. Lack of conformity cuts off federal funds for all regionally significant highway and transit projects, except for projects exempt from the conformity regulation or for which conformity requirements have already been completed.

DOT worked closely with EPA in development of the conformity rule. We concurred in the final highway/transit conformity regulation on November 8, 1993.

Mr. CARR. And are you aware that because there was no mention of nitrogen oxide provisions in the notice of proposed rulemaking, many states did not focus their energy and concerns on that issue?

[The information follows:]

We are aware that the NO_x provision was added between the notice of proposed rulemaking and the final rule. Since publication of the rule, the Environmental Protection Agency and the Department of Transportation staffs have met with regional, state and local transportation and environmental officials to discuss the implementation and impact of this provision.

Mr. CARR. Transportation officials of the state of Ohio have indicated that their state would lose up to \$2 billion in transportation funds beginning as early as June 1994 because they are not in technical compliance on nitrogen oxide. They believe that the increase in nitrogen oxides caused by the proposed transportation projects "fall within an estimated measure of modeling error and will not significantly contribute to a violation of the air quality standards." Does the Department of Transportation have a position on this issue?

[The information follows:]

DOT is fully committed to implementing the transportation-related provisions of the Clean Air Act. DOT is stressing the importance of transportation planning which complements air quality planning and will work with state and local agencies to support them in implementation of the rule's requirements.

Mr. CARR. Are you aware of other states that are or are likely to be in the same situation?

[The information follows:]

Other states could have similar difficulty in meeting conformity tests, including Delaware and areas in Texas and Louisiana. A recent survey by the National Association of Regional Councils indicated that many metropolitan planning organizations anticipate that they may have difficulty meeting the NO_x build/no-build and NO_x reduction requirements.

Mr. CARR. Does this situation represent a serious environmental threat or might it be a case of environmental extremism?

[The information follows:]

This situation represents a concern which is receiving extensive attention. We are currently evaluating ways to resolve problems related to the NO_x issue, including measures which reduce travel demand and speeds which could be added to transportation plans and programs.

MARINE SAFETY

Mr. CARR. Last December the department announced a new safety initiative as a result of the Amtrak accident in Mobile, Alabama. The action plan focuses on developing more stringent licensing requirements for operators of inland tugs, upgrading requirements that tow operators carry and know how to use radar and navigational charts and equipment, and strengthening procedures for reporting and responses to marine mishaps and collisions.

Would you bring us up-to-date on your timetable for implementing this action plan.

[The information follows:]

Following the AMTRAK casualty on September 22, 1993, the Commandant directed a review of related marine safety issues. The review recommended changes in the areas of operator training and qualifications, vessel equipment, bridge safety, casualty reporting requirements, and aids to navigation.

The Coast Guard's review of towing vessel safety was made available to the public meeting is scheduled for April 4, 1994, to seek public comment.

The timeline for publication of an interim final rule (IFR) involving requirement navigation equipment and the training to operate this equipment is targeted for June, 1994. Included on the same timeline is an IFR which clearly defines what a "hazardous condition" is and requires notification of hazardous conditions and bridge collisions.

The Coast Guard has initiated a review of all bridges for adequacy of fendering and lighting, with a completion date of August, 1994.

The Coast Guard is seeking legislation to amend 46 USC 6103 to increase the maximum civil penalty from \$1,000 to \$25,000 for failing to report a marine casualty. The Secretary will testify to the House Marine and Fisheries subcommittee on March 3, 1994 in support of the legislation.

The Coast Guard is currently reviewing existing radar observer training courses for applicability to towing vessel operators. This review should be completed August, 1994.

The Towing Safety Advisory Committee is convening a special working group to review and propose changes to the requirements associated with the marine license for operators of uninspected tows vessels. This review should be completed by October 1994.

Rulemaking to upgrade the qualifications and training and required of operators of uninspected towing vessels has a target completion date for a notice of proposed rulemaking of December, 1994.

MARINE SAFETY OVERSIGHT OF INLAND TOWING INDUSTRY

Mr. CARR. According to news reports, the inland towing industry has been described as "largely a self-regulated industry" upon which the Coast Guard has relied to police itself. In fact, one unnamed official is quoted as saying "the Coast Guard has been co-opted by the industry". It certainly appears that some very basic requirements that affect safety—for example, requirements that towboats have radar and charts; and that tow pilots are familiar with that equipment and river conditions; and that tow pilots can actually run a towboat or large ship are minimal rules that the government should have insisted on. Would it be fair to say that the Coast Guard has not been sufficiently diligent in exercising proper safety oversight over the inland towing industry?

[The information follows:]

No, it would not be fair to make that assertion. The Coast Guard has been, and continues to be, actively involved in the marine safety related oversight of the inland towing industry.

As the towing industry has evolved, the Coast Guard's oversight of the industry has also grown. From a virtually unregulated industry in the 1960s, Coast Guard oversight has steadily increased to ensure the safety of the industry, the environment, and the public.

For example, loadline and stability requirements were implemented and enhanced in the 1960s and 1970s to address towboat design problems. The licensing of towboat operators in the mid-70s was a major step to ensure operators of towing vessels met standards of experience and knowledge. These licensing regulations required experience on the waters for which the operator was licensed, and tested the knowledge required to safely navigate and operate a towing vessel.

In the case of the AMTRAK accident, the Coast Guard expanded its standard marine casualty/accident investigation to conduct an in-depth study of the issues related to the safe operation of towing vessels. This study is a top priority of the Coast Guard and the Department. The outcome of this study will likely be a series of administrative, policy and rulemaking recommendations that we will look to implement to further enhance industry and public safety.

SURVEY OF BRIDGES ACROSS NAVIGABLE WATERS

Mr. CARR. The AMTRAK accident also raised issues about the need for new bridge protection measures and the structural integrity of rail bridges. It has been reported that the Coast Guard has requested that CSX, the owner of the bridge struck in the Mobile, Alabama AMTRAK accident, install warning lights on the bridge which spans the Bayou Canot—which may be the first time such action has been requested for a rail bridge over a non-navigable waterway. Since there are thousands of bridges over non-navigable waterways, does the Department have a strategy for assessing the adequacy of existing warning systems on such bridges?

[The information follows:]

Yes. The Coast Guard is undertaking a survey of bridges across navigable waters of the United States to determine the adequacy of bridge fendering and lighting systems. The survey will focus on bridges spanning navigable waters used by commercial navigation, including those tributaries/backwaters, such as Bayou Canot, used as barge fleeting areas or are of sufficient depth and width which would all commercial navigation access to bridge sites. Some of the survey criteria are:

1. Location of the bridge. Priority shall be given to bridges carrying passenger train traffic and heavy commuter highway traffic.
2. Difficulties in navigating the bridge.
3. Accident history at the bridge site or at adjacent bridges in the area.
4. Severity of damage resulting from past accidents with bridges in the area.
5. Number and type of vessels and amount and type of cargo transiting through the bridge site.
6. Type and volume of nighttime navigation transiting the bridge site.
7. Nature of the waterway and prevalent atmospheric conditions.
8. Possible environmental/economic impact that may result from an accident.
9. Proximity of bridge location to waterways that carry commercial navigation and the possibility of entering the waterway by error during inclement weather or reduced visibility conditions.
10. Depth and width of the waterway and other conditions that may allow navigation to access the bridge site.

The Coast Guard expects to have these bridge surveys completed by August 1994.

ALTERATION OF BRIDGES

Mr. CARR. The Department is requesting no additional funding under the Alteration of Bridges program for rail bridges which present navigational hazards. What is the rationale for this budget policy?

[The information follows:]

The Department has not requested funding for obstructive railroad bridges in the fiscal year 1995 budget because the railroad bridges undergoing alteration, which are not already fully funded, are still in the early design stage and do not yet need additional funds for construction. There are two railroad bridges which are fully funded and under construction.

Currently, there are for highway bridges and two railroad bridges, competing for the bridge alteration funds available each year in the Coast Guard budget. Future railroad and highway bridge funding needs are scheduled in the five year alteration of bridges plan in a manner to best enable phased construction within a no-growth budget environment.

In fiscal year 1995, only highway bridges are scheduled for additional funding in accordance with the Coast Guard's five year alternation of bridges plan. The fiscal year 1995 DOT budget request proposes to fund the alteration of obstructive highway bridges from the discretionary bridge program funds of the Federal Highway Administration.

RECREATIONAL BOATING SAFETY PROGRAM

Mr. CARR. On another safety issue, I note that one of the three proposed program terminations in the Department's fiscal year

1995 request is the Coast Guard's boating safety grant program, which is funded this year at a level of \$32.3 million. Although there has been a significant reduction in boating fatalities over the years—from a high of 1,754 fatalities in 1973 to 816 fatalities in 1992—recreational boating fatalities were the third highest category of transportation fatalities in 1992 after highway and aviation fatalities.

Are you proposing termination because this program deals with a recreational activity, because it is viewed as a lower priority, because you think the Congress will restore it, or is there some other rationale?

[The information follows:]

The budget proposes to terminate the portion of the boating safety grant program that is subject to appropriations (\$32.3M in 1994). The mandatory funding (\$7.5M in 1994 and 1995, rising to \$10 million in 1996 and \$20 million in 1998.) remains because it is not subject to discretionary budget caps.

The states now spend over 4 times as much as in this area as the federal government appropriates for boating safety grants. The states are aware of the value of safe boating. We expect their efforts to continue.

Since 1971, when the Federal Boating Safety Act was passed fatalities per 100,000 boats have dropped 75 percent. At the end of 1992 (the last full year of data), the rate was at an all-time low of 4 percent 100,000.

During the same time-frame the estimated number of boats rose more than 2½ times.

At the same time, the Coast Guard will continue to support and carry out important boating safety-related activities, such as:

Supporting Coast Guard Auxiliary activities, including the voluntary compliance review program, safe boat training and education, and non-emergency search and rescue calls—establishing boating equipment safety standards and conducting recall campaigns when appropriate.

Maintaining a boating safety hotline to make information available to the public and receive formation on product defect.

Making non-profit safety grants on boating problems of national rather than State scope, such as accident reporting and training.

Performing safety inspection whenever search and rescue missions are carried out. The boating safety grant program has been successful in encouraging States to contribute to safe boating practices through programs of education, accident reporting, law enforcement, inspection, etc.

RSPA ADMINISTRATOR NOMINATION

Mr. CARR. Mr. Secretary, we are now into the Clinton Administration's second year in office and all of the top political positions in the Department still have not been filled. I am thinking specifically about the administrator for the Research and Special Programs Administration. Can you give us an update on when you expect someone to be nominated for this position and why filling this position has taken so long?

[The information follows:]

On Monday, February 28, the White House announced the intent to nominate Dharmendra (Dave) Kumar Sharma to be the new RSPA administrator. For a variety of reasons, the filling of this position has been delayed.

SUNSET OF THE INTERSTATE COMMERCE COMMISSION

Mr. CARR. Secretary Peña, we had a very close vote (207–222) in the House last year on the fiscal year 1994 Transportation Appropriations Bill to sunset the ICC and transfer its functions to the department of Transportation. The administration has expressed its opposition to a transfer of functions, and you are quoted in Traffic Management magazine as saying, “* * * there are still legiti-

mate and vital functions that the ICC performs. I think it is helpful to have an independent body like the Commission performing those functions. For that reason alone, we oppose the idea of sunseting."

Since we may indeed face this issue again this year, would you elaborate on what functions currently performed by the ICC that you believe the Department of Transportation is ill equipped to handle?

[The information follows:]

It is not so much that the Department is "ill equipped" to handle the legitimate and vital functions the ICC performs. As I said in my letter last fall to Senator Exon concerning S. 1248, the Interstate Commerce Efficiency and Safety Improvement Act of 1993, "The ICC is an independent forum for adjudicating problems between carriers, between carriers and air captive shippers, and between carriers and state regulatory bodies", and "as long as the ICC's statutory mandates remain, its functions should continue with an independent agency rather than be absorbed within DOT". We also strongly opposed S. 1248 because of the way it would have sunset the IC and transferred all its functions to DOT, "without any measured analysis as to which functions are valuable and which are burdensome and unnecessary."

DEPARTMENTAL DRUG INTERDICTION ACTIVITIES

Mr. CARR. The administration has proposed a scaling back of our national drug interdiction activities, focusing instead on anti-drug education and treatment. Does the department support this change in policy, particularly as it relates to the Coast Guard's drug interdiction mission?

[The information follows:]

We have participated in the development of the 1994 national drug control strategy, and we are supportive of its goals. Moreover, we understand that the administration supports a continuing need for the interdiction of illegal drugs in transit to complement the other components of the strategy. Although the administration's policy shifts emphasis from transit zone interdiction to support for source country initiatives, the Coast Guard will continue, at a lower level of intensity, to carry out its traditional maritime drug interdiction roles and responsibilities.

The major change will be in the reduction of Coast Guard resources dedicated solely to drug interdiction. Much of this downsizing will occur in fiscal year 1994, as the result of Congressional appropriation action.

FEDERAL EMPLOYEE "BUY OUTS"

Mr. CARR. There have been several reports to the effect that the inability to provide "buy outs" to federal employees could have a particularly severe effect later this year on DOT. Would you explain this situation to us, and tell us specifically what the impact would be if buy outs are not approved soon?

[The information follows:]

We continue to be dependent on the need for buy-out authority to help accomplish our reductions, provide flexibility to restructure our work force, and minimize the negative impact that would occur through reductions-in-force (RIFs). Without buy-out authority, several of the operating administrations in DOT including the Federal Aviation Administration, the U.S. Coast Guard and the Office of Inspector General will require RIFs to either fit within their budget levels for fiscal year 1995 or to make their share of the necessary cuts in full-time equivalent (FTE) and senior-level reductions for fiscal year 1995.

TRANSPORTATION AND NORTH AMERICAN TRADE

Mr. CARR. This January the Department of Transportation issued combined reports by ISTEIA entitled "Assessment of Border Crossings and Transportation Corridors for North American

Trade." Overall, the reports appear to be an excellent addition to the available literature and knowledge regarding transportation infrastructure and our North American neighbors. The reports do raise a couple of issues that I would like to explore briefly with you today.

The report concludes, among other things, that "a significant proportion of the delays are not due to a lack of adequate infrastructure, but is caused by volume of trade, by complexities of inspection requirements, and by less than optimal traffic management and cargo clearance procedures."

Should federal and state governments be doing more to address these issues before billions of dollars are invested in additional infrastructure?

[The information follows:]

Decisions on border congestion and access must address systemic factors, involve all the players and seek solutions which maximize the return on federal, state and local investment dollars. These decisions must involve all of the federal, state and local investment dollars. These decisions must involve all of the federal agencies responsible for building and operating inspection stations and those in the transportation community—Federal, state, local, municipal, shippers, carriers, producers, private ports of entry builders and operators, and others. These decisions must be made in the context of the existing ISTEA mandates which are coming to fruition in all states such as management systems, planning processes and the National Highway System proposal submitted to Congress on December 9, 1993.

The essential dialogue among the federal agencies has begun, as Secretary Peña announced on January 11, with the formation of an interagency Border Infrastructure and Facilitation Task Force with representatives from the Departments of Transportation, Treasury, Justice, Agriculture, State and Commerce as well as the Environmental Protection Agency, the Office of management and Budget, the United States Trade Representative, the Council of Economic Advisors, the Office of Domestic Policy and the General Services Administration.

This action-oriented task force has the mission of reporting on specific ways to improve the efficiency of existing U.S. border crossings and to better plan for future border infrastructure investments. The group met on January 28 and will complete its work by the end of April. By that time, we should have a good idea of the agreements among these agencies regarding measures of effectiveness and the strategies for reaching the needed efficiencies.

Exploration of low-cost simple innovations can eliminate a great deal of these problems. There are already success stories along our borders which can be applied to other locations. Similarly, the Task Force can examine ways to more rapidly prove and deploy technologies which are being experimented with by the U.S. Customs Service.

Mr. CARR. How will the tradeoffs be measured and how will decisions be reached, for example, on whether it is more economical to build additional highway capacity or more inspection stations?

[The information follows:]

As previously noted, there is a pressing need to better coordinate the border crossing activities of the various Federal agencies and there are many efficiencies that can be achieved with little or no investment in infrastructure improvements. With regard to the need for investment in new facilities, we are aware that the states of Texas, California, Arizona, Michigan and New York have completed fairly extensive evaluations of border crossing needs. However, a nationwide assessment of the needs has not yet been undertaken. Therefore, it would be premature to make decisions on major infrastructure investments at this time before such information is available.

Working through groups like the Border Infrastructure Task Force, federal, state and local agencies can commission the required needs assessment studies and develop performance measures that will enable us to collectively decide what can and should be done to maximize the efficiency of our border crossings.

Mr. CARR. One of the principal recommendations of the report is to fund ISTEA to the maximum level authorized. Before all the is-

sues affecting border crossings and economic delays have been addressed and analyzed in a cohesive manner, is it possibly premature to say additional funding is needed?

[The information follows:]

The Border Crossings Report covers two studies mandated by ISTEA. While the Congress asked for an assessment of border crossings and related issues in the ISTEA section 6015, we were also asked in section 1089 to evaluate the feasibility of a discretionary program to fund border-related highways. We did not recommend a discretionary program but rather suggested three alternatives to a discretionary program. Fully funding ISTEA is one of three alternatives to a discretionary program.

The primary reason for recommending the full funding of ISTEA can be traced back to the 1993 Report to Congress on the Status of the Nation's Highways, Bridges and Transit. The report clearly points to a significant gap between the cost to eliminate unmet highway and transit needs and the funding available to meet those needs. The highway and transit needs cited in this report do not even include the border crossing needs brought to light in the Border Crossings Report. The full funding of ISTEA will in no way close the highway, transit and border crossing needs gap but it would be a big step toward that goal. In addition, the funding flexibility of ISTEA could afford state and local governments some funding options to begin addressing border infrastructure needs.

Mr. CARR. The report also asserts that the states "seem not to have allotted sufficient funds to border communities for improvements to border crossing approaches" and that "new sources of infrastructure funding and improved methods for its allocation appear necessary".

If border projects have not been deemed of high enough priority thus far to warrant major funding by states, why do you think that just providing additional money to the states will make much of a difference?

[The information follows:]

One of the primary reasons for the Border Crossings study was to raise the nation's consciousness of the problems faced by both the public and the private sectors at our border crossings. If nothing else, the report has accomplished this one purpose. With this information in hand, we would expect that state and local governments will have a better understanding of border crossing problems and consider possible solutions in their long range plans. The additional resources made available under the provisions of a fully funded ISTEA would provide more opportunity for border crossing improvements than if funding levels are again reduced as they were in 1993. The development of the new planning tools such as the intermodal transportation facilities and systems management system and the requirement for intermodal planning as a part of the metropolitan planning regulations jointly developed and released by FHWA and FTA should also go a long way in improving the consideration of border crossing needs in the urban area as well as statewide transportation plans.

Mr. CARR. If your objective is to devote additional federal resources to border community infrastructure projects, is increasing a nationwide program, the money for which is distributed under formula to 56 states and territories, the best way to proceed? If the border communities truly have an unmet need with national implications, why not target the resources better?

[The information follows:]

Targeting border communities which have unmet needs with national implications to receive additional federal resources could be an option. But, as is pointed out in the previous question, we need to demonstrate evidence that border crossing infrastructure is an integral part of the statewide and metropolitan transportation planning processes.

As part of the planning process we need to have a closer focus on border crossings activities. It is important that stakeholders be involved in the metropolitan and statewide planning processes. While we are not suggesting, at this time, that a new

discretionary funding program be set up, we feel that prioritization in the allocation of resources is the key to improving our overall transportation network. Within the resources allocated to each State and earmarked for use in metropolitan areas, there is a prioritization process that takes place in the development of multi-year transportation improvement programs (TIP's). The recently released planning regulations also put a stronger emphasis on accommodation of freight movements than in the past. The planning processes in many areas have not addressed freight movements to the extent that they could have. It is important that the private sector join in that process because a lot of times in the past, planning had been a governmental activity without the private sector closely involved in the planning process.

Mr. CARR. Concerning new sources of program funding, the report states the following on page 159:

"At the national level, the initial seed money could come in the form of loans or contributions from the federal governments of the United States, Mexico, or Canada, from border states, sale of stocks, or from the private sector."

Can you be more specific? Who do you envision providing the leadership for such an effort? The federal government? The private sector?

[The information follows:]

The report citation comes from a panel of experts session held in Cambridge, Massachusetts by the Volpe National Transportation Systems Center to discuss the need for a discretionary funding program for international border highway infrastructure development. Most participants supported the development of a new border crossing infrastructure program supported with new program funds. Section 1012(b) of ISTEA also gives individual states the option of loaning federal funds to public or private entities to construct toll facilities that meet the basic federal-aid project eligibility criteria. Another alternative discussed that encourages the investment of private capital was the formation of a revolving fund that could operate either at the federal level or at state level. The fund could operate like an investment bank and offer a full range of credit enhancements to finance projects principally funded by the private sector. Credit enhancements could include direct loans, letters of credit, standby credit and loan guarantees at commercial rates.

With regard to the question of leadership, we envision that state funded revolving funds would be overseen by the state or states providing the funds. The federal government would act as a facilitator while the private sector would function as a partner in the overall process. Any federally supported revolving fund would require new authorizing legislation and the leadership roles would be defined through that legislative process. In any case, strong state and local involvement in the program would be sought and encouraged.

Mr. CARR. The basic tenor of the report seems to indicate that the DOT believes the problems facing border communities deserve special treatment. What analysis or comparison has been done with other issues such as deteriorating bridges or pollution and congestion in urban areas? Why should border communities be singled out for special treatment? Has anyone looked at the economic costs and benefits of improving our border transportation infrastructure compared with these other areas?

[The information follows:]

The Border Crossing study is just the beginning of a process. As you have noted, these studies are an excellent addition to the available literature and knowledge regarding the border crossing situation. Similar to the Report to Congress on the Status of the Nation's Highways, Bridges and Transit, the Border Crossing Study raises the level of problem recognition. The need to improve border crossing efficiency to improve our ability to compete in a global economy then becomes another issue which we must try to understand—like deteriorating bridges, congestion, and air pollution—and look for possible solutions.

We could attempt to solve the problems within the context of existing programs and funding levels. As previously noted, significant improvements can be made in the area of jurisdictional and procedural issues. The work of the Border Infrastructure and Facilitation Task Force holds great promise for improving border condi-

tions with a minimum amount of capital investment. ISTEA has also provided us with the planning tools and funding flexibility at the local and state level that can be used to improve border efficiencies. The emphasis we have placed on the ISTEA mandates for systematic transportation planning and a broader range of partnerships to deal with transportation issues should result in an appropriate level of resources being targeted at border issues.

It is unlikely, however, that ISTEA funding levels are adequate to make substantial headway against any one or all of the transportation problems we face. One finding in this study which deserves attention is that border crossings and ports of entry serve a national purpose. The beneficiaries of improved border conditions include, not only the border communities themselves, but also the consumers of the goods that pass across the borders. There are costs added to products because of delays encountered at entry points.

FEDERAL INFRASTRUCTURE INVESTMENT STRATEGY

Mr. CARR. The U.S. Advisory Commission on Intergovernmental Relations issued a draft report last July entitled High Performance Public Works: A New Federal Infrastructure Investment Strategy for America. One of the Commission's recommendations is the establishment of an infrastructure investment section in the President's budget. According to the draft report,

"The goal should be that this section of the budget eventually would be funded by infrastructure trust funds supported by dedicated sources of revenue designed to encourage multi-year stability in planning long-term investments and maintaining existing facilities cost-effectively. Only those investments justified by sound investment analysis should be eligible to be included in the investment budget."

What is your reaction to the Commission's draft proposal?
[The information follows:]

The Federal Government needs a better understanding and analysis of its investment spending. There is room for improvement, and we support this effort consistent with the National Performance Review recommendation and the recommendation for a capital budget which was included in the 1995 budget. OMB will be issuing guidance and plans to put this into effect for the 1996 budget and will be adopting more flexible funding mechanisms so that the annual budget process does not hinder the acquisition of fixed assets. At this time, the budget does not envision the creation of an all encompassing infrastructure trust fund.

Mr. CARR. Are you aware of any movement or sponsoring any movement within the administration along the lines of this recommendation?

[The information follows:]

As indicated previously, the President's budget recognizes the value of a capital budget and indicates that OMB will issue guidance to put this into effect for the 1996 budget. However, it is not clear at this time whether the capital budget will include DOT infrastructure grants. It may be limited to commercial type products used to support the delivery of federal services.

Mr. CARR. The draft report also recommends the establishment of an Infrastructure Research Board, using the Transportation Research Board as a model. What is your opinion of this recommendation by the Commission?

[The information follows:]

We are always interested in any proposal which helps us improve the quality of our infrastructure investments. At this time, however, we do not believe that a new Infrastructure Research Board is needed. The Transportation Research Board is already heavily involved in our infrastructure research program and is providing valuable insights into how we can make it better.

Mr. CARR. One of the task forces established by the Advisory Commission on Intergovernmental Relations deals with applying benefit-cost analysis to investment decisions. That task force reported the following:

All estimates and costs of proposed investments are forecasts, and therefore inherently uncertain.

There has been relatively little development of methods for coping with this type of uncertainty.

Risk analysis is seldom used in conjunction with benefit-cost analysis.

Better methods are needed for estimating, expressing, and communicating the estimated uncertainties and risk factors incorporated into benefit-cost inputs, assumptions, and results so that decision makers may understand the range and likelihood of possible outcomes.

Do you agree with this assessment?

[The information follows:]

The administration believes that our nation will achieve the greatest benefits from its infrastructure investments if it invests wisely, and continually improves the quality and performance of its infrastructure programs. As a result, on January 26, 1994, the President signed Executive Order 12893, "Principles for Federal Infrastructure Investments," requiring a systematic analysis of expected benefits and costs from its infrastructure investments. The Executive Order also requires that each executive department and agency improve its practices for managing infrastructure it funds. Agency plans to implement the Executive Order are due to the Office of Management and Budget by March 15, 1994.

Mr. CARR. What is the Department of Transportation doing to address the issues of risk and uncertainty in investment decision making? Specifically, is the Department doing anything to encourage the use of risk factors in benefit-cost analyses?

[The information follows:]

The President's Executive order specifically requires that executive departments and agencies with infrastructure investments recognize uncertainty in costs and benefits and address this uncertainty in their analysis of infrastructure investments. As agencies develop their plans, they must specify actions that they will take to address the requirements of the Executive Order. In addition to the Executive Order, the Department of Transportation is currently exploring ways to build risk factors and uncertainty into its biennial assessments of highway and transit needs.

Mr. CARR. What institutionalized actions does the Department take using benefit-cost analysis or risk factors before awarding funds for highway, transit and airport projects? Could—and should—the department be doing more in this area?

[The information follows:]

The Department of Transportation uses a number of techniques to assess the benefits, costs, and risks inherent in its infrastructure programs. In our discretionary grant programs, we look specifically at the costs and benefits of projects in helping us decide appropriate funding priorities. For example, transit new starts projects undergo a detailed alternatives analysis process that specifically addresses the costs and benefits of various build options, and contributes to development of a cost-effectiveness index to help rank priorities. Other discretionary programs use different processes, but all are designed to improve the decision making process.

For the Department's major formula infrastructure programs we focus on helping the states, localities, and grantees make the best use of the resources provided. For example, ISTEA requires the states, along with local metropolitan planning organizations, to develop a number of management systems, including: highway pavement, bridges, highway safety, traffic congestion, public transportation facilities and equipment, and intermodal transportation facilities and systems, to enhance the overall decision making process and to ensure that projects reflect State and local needs.

PROPOSED AIR TRAFFIC CONTROL CORPORATION

Mr. CARR. Finally, I want to say, I am probably alone among people on Capitol Hill, at least so far as I have been able to gather, who commend you for your effort on the ATC Corporation. I am going to reserve judgment until I see exactly what your proposal is. But it seems to me that it is not really fair for Members of Congress to prejudge the situation as some seem to be doing.

It is a complicated issue. But it seems to me it is one of those things about whether the glass is half full or half empty. I think in this matter that Members of Congress really should be taking the glass-as-half-full attitude and waiting to see what you come up with. I am sure that there will be some thoughtful comments from the Congress about how it is done, how it is phased in, where you draw the line and so many other things.

But I want you to know that in this effort, somewhere on Capitol Hill as it pertains to transportation, you have a friend. And it is conceivable that it would affect the jurisdiction of this Committee. But I don't think that it might diminish the jurisdiction of this Committee. I don't think that really ought to be our worry.

I think we really ought to be focusing on what is good for the American public and what is good for aviation and air commerce in this country, and we should not be terribly concerned about whether it enhances or diminishes our jurisdiction. That is what the American voters have been saying is wrong with this place and how we operate in government for too long.

So I just want to tell you that I congratulate you for your effort and I look forward to working with you in a positive way about it. I think maybe somewhere along the line if we could chat or be briefed by your able staff about what is likely to come out before it actually does come out, I might be, in fact, able to help anticipate some problems that you might have up on the Hill so that we might minimize some of those things and see that the proposal gets as fair a launch as possible.

I think we owe that to you. And again, I am sorry that some on Capitol Hill are trying to nibble you to death on this issue already. And I would just urge them to—and I will be urging them to keep an open mind, just as I will.

CLOSING REMARKS

With that, I don't believe that we have any other business before the Committee today. I want to thank you for your time and attention.

Thank you, Louise, for being here as well, and we look forward to seeing you again. The Committee is adjourned until 10 a.m. tomorrow.

THURSDAY, FEBRUARY 24, 1994.

OFFICE OF THE INSPECTOR GENERAL

WITNESSES

A. MARY SCHIAVO, INSPECTOR GENERAL

RAYMOND J. DECARLI, ASSISTANT INSPECTOR GENERAL FOR AUDITING

WILBUR L. DANIELS, SR. ASSISTANT INSPECTOR GENERAL FOR INSPECTIONS AND EVALUATIONS

ROGER P. WILLIAMS, ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

JOSEPH T. O'NEILL, SPECIAL ASSISTANT TO THE INSPECTOR GENERAL

OPENING REMARKS

Mr. CARR. We will open this hearing. We are glad to have the Inspector General with us today. Nice to see you again. We have your request for the fiscal year 1995 budget, and that request is for \$38.3 million, which is 2 percent less than the amount that you have this year.

The Office of the Inspector General and the Saint Lawrence Seaway Development Corporation are the only DOT agencies that are budgeted to receive less than they were provided last year in absolute dollars, while having to absorb locality pay and a 1.6 percent pay raise. Salaries and expenses, it appears, for the Office of the Secretary, for example, would go up 6.4 percent and Coast Guard and NHTSA operating expenses would rise about 2.4 percent.

Transit administrative expenses are up 9 percent. It is apparent that the administration's budget request for the Office of the Inspector General is very austere, even more so than is the case for other elements of the Department. Your request represents a loss of 35 FTEs, and that is about 7.3 percent of the work force. We will explore today some of the implications of that reduction and say that we are very concerned.

I think yesterday Mr. Wolf interrogated, you might say, the Secretary pretty vigorously on this point. I might say that we generally think that you do a great job and an important job and so we are happy to have you here today. If you would like to introduce your supporting staff and in the interests of time perhaps make some summary remarks of your testimony, we will put your entire statement into the record. I think you will find this Committee is a very friendly Committee when it comes to the Inspector General.

We work together on a whole host of issues that I think are important for the checks and balances of the Department. I happen to be a fan of some of the things you are doing. So I don't know whether it is a little too early to say that you won't have to suffer those proposed cuts, but it seems to me that cutting the IG, par-

ticularly when it is not a large amount of money, that it is a bit of an insurance policy that we need to have things run right. So with that, I would be glad to take your testimony and we might have a couple of questions. I don't think there will be many.

INSPECTOR GENERAL'S OPENING REMARKS

Ms. SCHIAVO. Let me introduce the gentlemen who are accompanying me here today. To my left is, Raymond DeCarli, with whom you are quite familiar, the Assistant Inspector General for Audits. He has accompanied me here every year. Next to him on my far left is Wilbur Daniels, who is the Assistant Inspector General for Inspections and Evaluation, and this is his first time here before the Committee.

Mr. CARR. We will be rougher on him then, a little hazing here.

Ms. SCHIAVO. We made up some stories for him about what it would be like.

On the far right is Roger Williams, the Assistant Inspector General for Investigations and this is also his first time here. So you can save some of that for him. And then to my immediate right is Joseph O'Neill, who is a Special Assistant to the Inspector General. The Deputy Inspector General, unfortunately, is unable to be with us today and did send his regrets. He had a long-standing commitment for a series of tests at the Mayo Clinic and we would not let him postpone. We said, "Come back when you are healthy," so he does send his regrets.

I already submitted my statement, and in it I covered our budget request information, goals, accomplishments, how we are going to deal with our downsizing plan, what we did with NPR and our work on the DOT strategic plan. So I will not repeat any of that and I will just submit my statement for the record.

You did correctly summarize our budget request. It is an austere one. We realize that cuts are being taken, of course, all through the Government. It is kind of funny, though, when cuts are taken in Washington, it seems like the rest of the country cheers, so I do not want to be complaining too badly. I know that the rest of the country has also already taken cuts and hits. But I will say that in the last three years that we have come up here, we have issued 6,293 audit reports totaling findings of \$2,624,000,000, and of that amount, the Department sustained \$1,265,000,000 of our findings of funds to be put to better use. We hope we have earned our keep.

On the investigative side in the last year alone, we pulled in almost \$26.5 million in fines, restitutions and other criminal penalties, and have pulled in over the last three years 341 years of prison sentences.

That is what we do with the money when we get it. We hope we spend it wisely. We certainly endeavor to do that. Therefore, we will proceed with the questioning on our budget request and just stand on the opening statement.

[The prepared statement of Mary Schiavo follows:]

Statement of A. Mary Schiavo
Inspector General
Department of Transportation
Before The House Appropriations Subcommittee on
Transportation

February 24, 1994

Mr. Chairman and Members of the Subcommittee, it is my pleasure to meet with you today to discuss the Office of Inspector General (OIG), Department of Transportation (DOT) budget request for Fiscal Year (FY) 1995.

OIG WORK WITH THE NATIONAL PERFORMANCE REVIEW (NPR)

The challenges facing Government today promise to make FY 1995 among our most interesting and rewarding years. During the past year, OIG worked extensively with two of the Vice President's National Performance Review teams. Working with the NPR's Transportation team was inspiring and enlightening because the old rules and "the way we've always done it" were discarded. "Give us some of your best ideas," they said, "the best way you know to save money and improve the way we do things."

We offered ideas for reinventing DOT, many of which arose from OIG audits. Several of our suggestions were included in the NPR report, "Creating a Government that Works Better and Costs Less," including: increasing Federal Aviation Administration (FAA) fees charged for certification and surveillance of foreign aircraft repair facilities; contracting out for low use air traffic control towers or closing where appropriate; eliminating funding for demonstration projects; redirecting the spending for the U.S. Merchant Marine Academy; rescinding and recovering unobligated balances from prior years; reducing the essential air services subsidies; and terminating grant funding for FAA Higher Education Programs. This Committee will immediately recognize some of these issues, because they were developed from work requested by Members of this Committee. The NPR estimated the savings for these ideas would amount to \$8.15 billion. DOT and Congress moved to implement many of these proposals. The House of Representatives has already passed legislation to implement several of our recommendations which we made to Congress in hearings in March 1993, to the Office of Management and Budget on June 2, 1993, and then to the NPR for adoption as recommendations.

We also worked extensively with the NPR Reinventing Inspectors General (IG) subteam to develop suggestions, review drafts, and help craft workable recommendations to improve IG effectiveness without compromising IG independence. We have implemented all of the reinventing IGs recommendations.

Also encouraging were the efforts of this Committee. Our staff was energized and encouraged as we saw members of this Committee, and especially the Chairman, use our reports, our investigations, and our recommendations, and implement, expand, apply, and build on, our findings. We saw our work used on the floor of the Congress by members of this Committee who were really attempting to change for the better the way Government works--making it more responsive even in these days of downsizing and retrenching.

IMPLEMENTING THE SECRETARY'S STRATEGIC PLAN

We will have many challenges in meeting our oversight responsibilities as DOT implements its new strategic goals, and the new initiatives set forth in DOT's proposed 1995 budget. In Secretary Peña's new Strategic Plan, DOT will work to tie America together through an effective intermodal transportation system. DOT will invest strategically in transportation infrastructure, which investments we will be called upon to ensure are properly used, and do not fall victim to fraud, waste, or abuse because of the increased funding and infrastructure investment. DOT will also strive to create new alliances between the transportation and technology industries. We will be there to help assist the implementation and expansion of ideas and programs that work, while reviewing and recommending changes in those that do not.

Another of the Secretary's strategic goals is to promote safe and secure transportation. This goal has been one of the goals of the OIG for many years. This Committee is familiar with our efforts in these areas, including many audits concerning safety and inspection oversight in FAA, Coast Guard, Federal Rail, and Federal Highways.

DOT will also work to actively enhance our environment through wise transportation decisions. Environmental compliance is one of the areas we are targeting this year for special efforts in the OIG.

One of the last two goals in the Secretary's new Strategic Plan is putting people first in our transportation system by making it relevant and accessible. We have already assisted in this area with our review of handicap transportation programs and many investigations of allegations of unequal treatment and unequal access. We will continue

our work in these important areas. The final goal is to transform DOT by empowering employees. This goal will help the OIG meet our new challenges, especially in these times of downsizing.

DOT BUDGET HIGHLIGHTS

Downsizing will present special challenges to the OIG in light of DOT's proposed FY 1995 budget. The overall DOT budget is increasing approximately \$1 billion, 2 percent higher than the enacted level for FY 1994. Infrastructure investment will rise 3 percent above FY 1994 levels. Several DOT program areas which our audits showed required our special oversight attention are slated for increases in FY 1995. For example, aviation facilities and equipment is to receive a 7 percent increase (\$149 million) to \$2.269 billion. Mass transit capital assistance is up 40 percent, to \$2.2 billion. Other budget and spending increases total \$3.6 billion more to states in FY 1995 for transit and highways. According to the Secretary of Transportation, this budget will total the highest levels for transit funding in the history of this country. There is also a 35 percent increase of \$289 million for IVHS and a 53 percent increase for GPS, up \$29 million from FY 1994. Motor carrier safety grants are up 28 percent to \$83 million. Funds for environmental cleanup are up 8.9 percent. Railroad safety program increases total over 7 percent and pipeline safety program increases amount to 10 percent. There are also new programs, such as the New Livable Communities initiative slated for \$30 million.

These and other increases in areas we have noted as vulnerabilities in the past, as well as new programs, will place special challenges on the OIG staff to meet our oversight responsibilities.

FY 1995 will also be an exciting and challenging year because we will work with the Secretary and departmental managers to identify areas of potential economies, efficiencies, and better service to the traveling public. Although we have always had a role in identifying and helping to eliminate waste, abuse, and mismanagement, as you well know, departmental managers have not always been eager to accept our criticism or adopt our recommendations. Now that the momentum associated with the NPR, the Secretary's Strategic Plan, and the Department's effort at downsizing has focused the departmental managers on designing changes and achieving savings, along with the realities of reduced staff, real savings can be, must be, and therefore will be achieved.

FY 1995 will present other challenges to the OIG, not the least of which is downsizing of the OIG. We intend to refine our planning process so

as to focus on the most relevant, significant, and timely issues where real savings and benefits can be achieved. It will also be a challenge to work with departmental managers to design cost-effective and meaningful program changes to bring about the potential economies and efficiencies. OIG management is confident that our culturally diverse staff will be able to meet the challenges of FY 1995 so as to be able to help the Department attain the highest levels of economy, efficiency, and productivity. The following pages discuss the impact of downsizing on the OIG, our FY 1995 budget request, OIG accomplishments, and OIG priorities for FY 1995.

Impact of Downsizing on OIG

Consistent with the President's direction, the results of the NPR, and DOT's downsizing efforts, the OIG budget request for FY 1995 reflects a net reduction of 35 positions. To accomplish that reduction, two significant organizational and functional changes and realignments are planned. First, the position of the Assistant Inspector General for Policy, Planning, and Resources will be replaced with a Director of Administration. The Directorate of Administration will have a net reduction of four positions from the existing Office of the Assistant Inspector General for Policy, Planning, and Resources. That reduction will be accomplished by eliminating less strategic and less urgent activities. Furthermore, policy and planning activities specifically associated with the Office of the Assistant Inspector General for Policy, Planning, and Resources will be transferred to, and absorbed by, the respective functional organizations (Auditing, Inspections and Evaluations, and Investigations) without additional positions. Second, our audit organization will consolidate the three headquarters offices into two offices. Functional, departmental, and Operating Administration responsibilities will be realigned and most Department-wide audit projects will be transferred to audit regional offices. The consolidation, functional realignment, and transfer of responsibilities to regional offices will result in an audit Headquarters reduction of 26 positions and an audit regional reduction of 5 positions. The Assistant Inspector General for Auditing will minimize any negative impact on functional coverage by directing audit resources to the most timely, significant, relevant issues having the most opportunities for direct departmental economies and efficiencies.

FY 1995 Budget Request

The FY 1995 budget request of the OIG is \$38.319 million which is a net decrease of \$0.681 million below our FY 1994 level. At this level, the OIG will fully fund 454 positions and 445 FTEs. Requested staffing

levels for FY 1995 represent decreases to the FY 1994 levels of 35 positions and 35 FTEs, including FY 1995 reductions in accordance with President Clinton's Executive Order of February 10, 1993. We plan to achieve this personnel reduction through attrition. Decreases were made in most budget areas. A more detailed account of our request is contained in our submission to the Subcommittee.

FY 1993 ACCOMPLISHMENTS

Audits

During FY 1993, we issued 2,456 audit reports and made recommendations to improve the economy, efficiency, and effectiveness of DOT operations with a potential impact of over \$818 million. Working with departmental managers, the Operating Administrations have taken, or have agreed to take, action on audit reports and recommendations to seek recoveries of, or more effectively use, resources amounting to about \$570 million.

Our audits have also identified departmental programs and operations that worked well. For example, Operating Administrations were generally responsive to the National Transportation Safety Board's (NTSB) recommendations; the Department's management controls over life insurance and retirement benefit programs were effective; Coast Guard's (USCG) accounts receivable balances were generally accurate or administrative charges were appropriately assessed and computed; Federal Highway Administration (FHWA) controls were satisfactory for accounting for disallowed and ineligible costs charged by state highway departments to Federal-aid projects in California, Texas, Pennsylvania, and New York; the FAA ensured the San Jose International Airport Noise Compatibility Program was in compliance with Federal noise regulations; and the Maritime Administration (MARAD) established adequate controls over the approval of new Title XI guaranteed loans.

In FY 1993, we completed audits covering the FY 1992 Financial Statements of the FAA (Airport and Airway Trust Fund portion only); the Federal Ship Financing Fund of MARAD; and the Highway Trust Fund (which encompassed FHWA, Federal Transit Administration (FTA), and National Highway Traffic Safety Administration (NHTSA)). These audits produced several benefits. First, the audit results helped to ensure financial information presented to departmental managers, the Administration, and Congress was accurate and reliable. Second, the audits helped to reform financial management systems so that these systems provide complete, consistent, reliable, and timely information. Finally, the audited financial statements aided in accurately disclosing

the current and future costs of departmental programs and operations, improving operational efficiency, and providing information for making better investment decisions as well as for more precisely forecasting cash needs.

During the past year, we reviewed the FHWA process for evaluating and selecting projects in the Discretionary Bridge Program. We found that while FHWA had established generally effective controls to ensure that funds were obligated within the fiscal year, additional controls were needed to: (1) ensure that projects advance to the construction phase in a timely manner; (2) promptly identify and withdraw unneeded funds for use on other discretionary bridge projects; and (3) adequately document the basis for final project selection and funding decisions. This nationwide review specifically identified 10 projects with \$5.6 million in excess funds that could have been withdrawn and made available for other discretionary bridge projects. Improved controls will result in more effective utilization of discretionary bridge funds. FHWA concurred with the report and agreed to implement the recommendations.

In our audits of airport revenue, we found FAA's oversight was not adequate to ensure airports and airport sponsors adhered to airport revenue related grant assurances. Fifteen of twenty-one airport sponsors reviewed needed to improve internal controls over airport land rental and expenditures to ensure compliance with airport revenue requirements. Sponsors did not maintain fee and rental structures to make their airports as self-sustaining as possible, or ensure airport revenues were not being diverted for nonairport purposes. The 15 sponsors: (1) failed to obtain fair rental value for airport property, resulting in lost rental income of \$14.9 million annually; and (2) diverted \$7.8 million of airport revenues annually for nonairport purposes. We recommended airport sponsors strengthen property management controls and increase lease revenues to become more self-sustaining, and use airport revenues only for airport purposes. We also recommended FAA increase its oversight efforts. FAA generally agreed with the recommendations regarding fair rental value and the use of airport revenues. FAA officials did not agree with the recommendations to increase oversight efforts. For FY 1994 we are continuing our efforts in the airport revenue area and have 10 audits in process (San Francisco; Baltimore/Washington International; Pittsburgh; JFK; Westchester County, NY; Hot Springs, Arkansas; Bremerton, Washington; Philadelphia; Albuquerque, New Mexico; and Kansas City, Missouri). Preliminary results from these audits show noncompliance with airport revenue requirements.

During our audit of the Noncompatible New Development/Airport Noise Compatibility Program, we found that 6 of 10 airport sponsors were unsuccessful in preventing noncompatible new development in areas adversely impacted by airport noise located in nonsponsor political jurisdictions. Since FAA's acceptance of the six sponsors' Airport Noise Compatibility Program and Noise Exposure Maps, nonsponsor jurisdictions authorized the construction of 2,503 single-family houses, 3,977 multi-family residential units, 83 mobile homes, 8 churches and 3 other noncompatible use structures within areas defined as adversely impacted by airport noise. In addition, we found 6,733 acres of vacant land zoned to permit further noncompatible development. We estimated Federal grant funds of \$75.6 million may be required to provide noise mitigation treatments for this development and future development on the vacant land because nonsponsor jurisdictions did not require either proper noise mitigation building standards or compatible zoning controls. We have issued reports to each affected FAA regional office recommending FAA inform airport sponsors Federal funds will not be granted to provide noise mitigation treatments for new noncompatible development. We have also recommended that FAA require sponsors to amend their Airport Noise Compatibility Plans and disclose that noncompatible development on the vacant land will not be eligible for noise treatments with Federal grant funds. FAA regions have not been consistent with their corrective actions. Although two FAA regions have been responsive and taken action to restrict the use of Federal grant funds on noncompatible new development, one region has deferred action to FAA Headquarters and responses have not been received from the other two regions. We are preparing a national summary report to address the national policy issues identified. In this report, we will recommend actions designed to discourage more noncompatible development in designated airport noise impacted areas and to limit Federal liability for such future development.

In another audit, we concluded FAA had established an adequate certification process for new repair stations. Also, FAA aviation safety inspectors accomplished approximately 98 percent of the required domestic and 99 percent of required foreign repair station annual surveillance inspections, tracked repair station violations, and recorded inspections results. However, our audit of 4 Flight Standards District Offices, 2 International Field Offices, 4 domestic and 10 foreign FAA-approved repair stations disclosed use of aircraft parts of unknown design, quality, and origin; outdated repair manuals; and substitute parts not approved by FAA. At 12 of the repair stations we reviewed, of those parts sampled, 43 percent of all newly purchased parts, and 95 percent of parts purchased from distributors or brokers did not have reasonable evidence of either FAA production approval status,

production origin, or conformance with established U.S. or industry specifications. Likewise, we also found: 5 repair stations used 11 outdated manufacturers' maintenance manuals for 47 repairs; 8 repair stations used 27 types of parts not listed in the most current manufacturers' maintenance manuals; and 3 repair stations subcontracted repair of 16 types of parts to repair stations not regulated by FAA. We made 12 recommendations to the FAA Associate Administrator for Regulation and Certification. Implementation of these recommendations should benefit all segments of the aviation industry through greater assurance that repair stations use: (1) FAA-approved aircraft parts or parts that conform to established U.S. or industry specifications, (2) current manufacturers' maintenance manuals, (3) parts specified in manufacturers' maintenance manuals, and (4) subcontractors who are authorized repair stations. Contributing to the replacement parts problems associated with repair stations, was FAA's failure to enforce its Parts Manufacturer Approval (PMA) regulations. In an audit of the PMA process, we found that replacement aircraft parts manufactured outside the PMA process were being sold, distributed, and installed on aircraft. In another audit, we found FAA inspectors did not make or schedule any inspections of foreign-manufactured aircraft parts, although FAA had established well-defined surveillance procedures. FAA agreed it was not performing required surveillance of foreign manufacturers of aircraft parts.

In our audit of FAA's oversight of the airport security program, we concluded FAA's oversight was not adequate. We independently tested security systems at four large international airports by attempting to enter secure areas as unauthorized persons. Entry was successfully made in 15 of 20 attempts. In addition, our auditors were seldom challenged by employees, and observed other persons in secure areas who were not displaying required security identification. We recommended the FAA Administrator: (1) reemphasize the FAA Office of Civil Aviation Security; (2) take aggressive action to thoroughly test access controls; (3) challenge security procedures; and (4) assure proper display of identification to ensure airports and air carriers comply with security programs for safeguarding aircraft, passengers, and property in airport operating areas and terminals. FAA officials agreed that compliance with access controls and challenge regulations was not being enforced at the airports visited. Further, FAA officials stated the problem probably exists throughout the domestic airport system, and our ability to enter secured airport areas by circumventing access controls, and the failure of airport and airline employees to challenge thereafter, represents serious problems which it will address. Moreover, FAA officials said access control and challenge regulations, including proper display of security identification, are important parts

of their domestic security system, and their implementation needs to be improved. FAA officials stated they would move beyond our recommendations in taking corrective actions.

We performed an audit of the FAA-Sponsored Higher Education Programs and found that they did not achieve intended objectives. If the education programs were adequately planned, appropriately evaluated, and more closely monitored, unneeded programs may have never been established and existing programs may have been curtailed. In the 1980's when abundant employment opportunities existed, FAA did not capitalize on the Airway Science training provided by institutions of higher learning. Graduates of the Airway Science Program were not actively recruited or hired by FAA because their knowledge, skills, and abilities were not compatible with FAA employment needs. In 1991, FAA established the Collegiate Training Initiative for Air Traffic Controllers Program. The program is not needed because FAA anticipates few vacancies for air traffic controller positions. For FYs 1982 through 1993, approximately \$119 million had been committed to fund higher education programs offering minimal benefits to FAA. Although FAA agreed to discontinue requests for Airway Science and Collegiate Training Initiative for Air Traffic Controllers grant funds, the program has been difficult to kill. We will continue to seek the House and Senate Appropriation Subcommittees' support to stop designating grant awards for this program.

In another audit, we reviewed two mass transit authorities in FTA Region IV and found they acquired and retained rail car fleets far higher than necessary to provide passenger service and allow for a reasonable spare ratio of 20 percent. The Metropolitan Atlanta Rapid Transit Authority's 10-year rail car ratio has averaged 67.2 percent, an average of 58 excess cars. Metro Dade Transit Authority's 10-year rail car ratio has averaged 82 percent, an average of 42 excess cars. These high spare ratios were due to FTA's acceptance of the transit authorities' overestimated passenger ridership. Both the Metropolitan Atlanta Rapid Transit Authority and the Metro Dade Transit Authority acquired their excess cars at costs of \$81.7 million and \$31.8 million, respectively. Neither the transit authority nor FTA have taken action to mitigate this over investment in rail cars. We recommended the service life of each rail car be extended to compensate for the under utilization of the fleet. The extended service lives would delay planned FTA funded overhaul at year 12, and replace at year 25, and save FTA about \$86 million at the Metropolitan Atlanta Rapid Transit Authority and \$27 million at the Metro Dade County Transit Authority. FTA Region IV responded that it could not implement the recommended extended service life until FTA Headquarters provided guidance on how

to determine a reasonable number of spare rail car and spare ratio. Recommendations to FTA Headquarters related to excess rail car fleets will be provided in a summary report upon completion of audits underway at other major rail transit authorities nationwide.

In our audit of USCG's Configuration Management Project, we found opportunities for the USCG to reduce future costs by as much as \$1.3 million and to improve the effectiveness of the project during its development. The Configuration Management Project is designed to provide a systematic means for documenting and controlling the configuration of shipboard items. The project is also designed to help regulate life cycle costs, improve vessel operational performance and readiness, and improve integrated logistics support. We recommended USCG take action to: (1) reduce the cost of future configuration reviews; (2) emphasize the need to fully document CMPlus software in a timely manner; (3) clarify the Government's ownership rights to CMPlus software; and (4) assure key personnel experience is retained on the project, at least until the completion of the developmental stage. USCG officials generally concurred with the finding and recommendations.

Inspections and Evaluations

Two years before the NPR recommended IGs perform Inspections and Evaluations functions, this OIG saw the need for, and established, the Office of Assistant Inspector General for Inspections and Evaluations (OAIGE) within the OIG to solve many of the deficiencies outlined in the NPR report. For example, one of the functions of the OAIGE is to provide quick turnaround inspection and evaluative reviews of management and program operations to provide decision makers with, as stated in the NPR, "timely, relevant and accurate reports that are valuable management tools."

One of the OAIGE's first assignments was a secretarial request to evaluate the Department's rulemaking process. In 6 weeks, we identified a variety of problems and provided the Secretary with recommendations. Recommendations included: (1) revising the Department's regulatory review procedures; (2) incorporating deadlines in the review process; (3) delegating authority and accountability to enforce compliance with those deadlines; (4) delegating authority to mediate nonconcurrences; (5) ensuring properly trained staff; and (6) providing better status reports to Congress. All recommendations were accepted both by the Secretary and by the NPR team and have been implemented.

In response to a congressional request, the OAIGE evaluated the effectiveness of the FAA's 1988 reorganization ("straightlining"). This reorganization sought to significantly increase the centralization and standardization of management oversight and reporting relationships. We found the reorganization improved communication and management accountability within "straightlined" organizations and, with the exception of the Aircraft Inspection Program, improved the consistency by which policy is executed. However, we also found communication across organizations was reduced. We made recommendations concerning both the Aircraft Inspection Program and the communication problems, and FAA has planned and undertaken corrective actions which meet the intent of those recommendations.

The OAIGE has recently finished an inspection of FAA's responsiveness to suspected aircraft maintenance and design problems. We found FAA's ability to identify and respond to suspected aircraft maintenance and design problems is hampered by inadequate oversight. We recommended FAA develop and implement a formal tracking system to ensure adequate accountability and timely resolution of aircraft maintenance and design problems reported by daily alert bulletins, service bulletins, and direct contacts. We also recommended FAA develop and implement standard procedures for documenting research of suspected aircraft problems. We found FAA's engineers lacked tools necessary to do effective trend analysis. We recommended FAA correct Service Difficulty Reporting Program deficiencies and/or invest in an alternate source(s) to facilitate trend analysis of aircraft problems.

Currently, the OAIGE is evaluating the Research and Special Programs Administration's Airline Data Collection and Reporting System, and we are working with the Departmental Civil Rights Officer to evaluate the Department's Civil Rights Program. Both of these reviews will evaluate the need for reorganization, consolidation and downsizing; for more effective reporting systems, policies, and procedures; and for orientation and training programs.

In addition to inspections and evaluations, the OAIGE responds to congressional requests, hotline complaints, and other referrals. Although these requests occasionally warrant a formal inspection or evaluation, most take the form of smaller studies, requiring selective research and interviews. In the last three quarters of FY 1993, the OAIGE staff completed 23 such projects, including 15 congressional requests, 6 hotline complaints, and 2 general referrals. Currently, the OAIGE has 27 projects underway, including 7 congressional requests, 11 hotline complaints, and 9 general referrals. These requests are of

various types and cover a wide variety of program and administrative issues.

In response to a congressional inquiry, OAIGE conducted a review of six recent FAA airport improvement grants. The constituent contended these grants were unlawful because the airport sponsor does not have the legal right to remove trees in the airport's runway protection zone located in an adjacent state. OAIGE found the grants legal because the airport sponsor took appropriate action under the law when it displaced a runway threshold and initiated legal action seeking tree removal in the adjacent state.

In another congressional request, a constituent alleged an airline violated Federal Aviation Regulations and FAA acted improperly in its investigation of the original allegations against the airline. The OAIGE review, performed at the request of three members of Congress, determined the airline could not show compliance with FAA regulations in: (1) providing pilots with current airport analysis information; (2) ensuring flight crews have required rest periods between flights; and (3) reporting aircraft maintenance irregularities appropriately and timely. The review also found FAA's investigation was proper and further followup review by FAA was not warranted. Four recommendations for FAA oversight of the airline to ensure airline compliance with Federal Aviation Regulations were made. FAA officials concurred with the findings and recommendations. They will conduct a comprehensive review of the airline's records and manuals to ensure Federal Aviation Regulations compliance.

The OAIGE reviewed allegations that the USCG actions were arbitrary and unfair in the withdrawal of pilot status and denial of registration as a pilot in the Great Lakes/St. Lawrence Seaway. The review found USCG failed to provide adequate oversight of the applicant pilot-training program, resulting in an inability to objectively assess recommendations from a pilots' association and a biased method to determine the pilot's competency. We recommended USCG devise an impartial means to evaluate the competence and eligibility of a registered pilot. The OAIGE also recommended USCG improve oversight of the applicant pilot program by: (1) designing uniform performance requirements for registration; (2) approving a written training program; and (3) establishing procedures for approving designated applicant pilot trainers. In addition, OAIGE recommended USCG develop guidelines for reducing the number of registered pilots based on economic considerations.

Investigations

In FY 1993, our investigative efforts resulted in 149 indictments and 95 convictions. This was a substantial increase over FY 1992 when we reported 110 indictments and 90 convictions. Our monetary recoveries, including fines, court-ordered restitutions, civil judgments and settlements totaled over \$26 million. Convictions have resulted in 51 individuals sentenced to 132 years of incarceration, and 195 years probation. Additionally, the Operating Administrations have taken 155 administrative actions as a result of our investigations, including 24 debarments of companies and individuals, and 10 employee terminations. During FY 1993, the OIG realized an approximate \$4 monetary recovery for each investigative dollar spent.

In FY 1993, suspected unapproved parts, motor fuel excise tax evasion, and bid rigging continued as our top three investigative priorities, with transportation of hazardous materials increasing in importance by the fourth quarter. During FY 1993, our suspected unapproved parts aviation investigative efforts produced 17 indictments; 9 convictions; and \$1,320,100 in fines, restitution, and Federal recoveries. At the end of FY 1993, we had 144 ongoing reactive and 15 proactive suspected unapproved parts investigations. To date, we have amassed 84 indictments; 46 convictions; 29 years of imprisonment; 100 years probation; and \$24 million in fines, restitutions, and recoveries in bogus aviation parts cases.

Our collaborative work in the area of motor fuel tax evasion with the FHWA, Federal Bureau of Investigation, Internal Revenue Service, and state revenue agencies culminated in over 60 indictments during FY 1993. We recovered \$458,000 in FY 1993 in motor fuel tax cases. The detection of bid rigging in DOT-funded projects and programs resulted in six indictments, five convictions, \$1.38 million in fines, and three debarments by FHWA.

In the latter part of FY 1993, we began to address the area of investigating the transportation of hazardous materials. Three of our six regional offices began to actively participate in combating this problem, together with the USCG, Federal Bureau of Investigation and the Environmental Protection Agency.

Other notable investigative areas which the Office of the Assistant Inspector General for Investigations was involved in included surety bonding fraud, workers' compensation fraud, and fraudulent disadvantaged business enterprise contracting activities.

Another area indicative of our success and increased activity is the OIG Hotline Complaint Center. In FY 1993, the Hotline Center processed 599 telephone, letter, and/or walk-in complaints, which is a 27 percent increase over FY 1992 when 471 complaints were handled. Of the 599, 24 percent were referred for action to either our investigative, audit, or inspection and evaluation staffs.

On March 4, 1993, the initiative to streamline Government was implemented by Vice President Gore. The DOT/OIG hotline number was among those flashed on television and published in newspapers throughout the Nation to give citizens an opportunity to suggest ways the Government might improve services and cut spending. From March 4 through March 31, a total of 773 calls were received by the Hotline Center. Suggestions for eliminating waste and streamlining Government were taken and reported to the President's Council on Integrity and Efficiency and to the NPR teams. The suggestions, complaints, and information accumulated during this program were reported to the Secretary and shared with departmental Operating Administrations for their consideration and information. Each hotline call that required action was acted on by our office, or referred to the appropriate DOT Operating Administration to followup and report back to the OIG.

Organizationally, the Office of the Assistant Inspector General for Investigations succeeded in accomplishing many of their goals. A transitional firearms training program for the instruction on the use of 9mm firearms was written and instituted. Our regional office inspection program was rewritten, and a special agents' handbook was created.

FY 1995 PRIORITIES

Audits

In FY 1995, our audit goal is essentially the same as it has always been: to help improve the economy and efficiency of the Department by providing accurate and objective assessments of programs, operations, and activities and by functioning as an agent for change. To accomplish this goal, in FY 1995, we plan to perform about 125 audits. These audits will be divided between Department-wide, Administration-wide, and local coverage. Department-wide audits will be designed to address specific departmental programs, activities, or functions carried out by more than one Operating Administration. An example of this type of audit from our FY 1994 Plan is our audit of the implementation of the DOT Transit Benefit Program. Administration-wide audits are designed to address a specific Operating Administration program, activity, or function carried out by Headquarters and field components.

An example of this type of audit from our FY 1994 Plan is our audit of the FAA Maintenance of Airway Facilities. Local audits are designed to address a specific Operating Administration program, activity, or function carried out at a specific location. As a result of audit organizational and functional changes, and consolidations due to downsizing, we plan on performing fewer local audits in FY 1995 than we have in the past 3 years. In addition to statutory and congressional requirements, our audits in FY 1995 will focus on safety and inspection responsibilities and programs within the Department, major acquisition programs in the FAA and USCG, grants management activities within the Department, logistics management within FAA and the USCG, and the overall surface transportation infrastructure.

Inspections and Evaluations

Since the OAIGE was established to respond to congressional and secretarial requests and to hotline complaints, as well as perform inspections and evaluations, the majority of the work of this small staff is reactive. The Congress, the Secretary, the Inspector General and the public set the OAIGE agenda through constant direct requests and Hotline complaints. This demand has become so heavy, the OAIGE was only able to undertake 11 percent of the requests it received in FY 1993. However, we have begun to use this organization to perform proactive work consistent with the goals of the NPR, and the Secretary's Strategic Plan. Accordingly, the OAIGE will be focusing on providing quick turnaround management and program evaluations, expanding into such areas as grants programs criteria, acquisition reform, organizational restructuring, consolidation, and downsizing. These proactive efforts will also include effective practice reviews, which will help to spread the word about what programs and practices work well and why they are effective, and collaborative efforts with management to evaluate their planned programs before money is spent and their current programs by measuring performance results. Our plan for FY 1995 is to significantly increase the effectiveness of the OAIGE evaluation function by redirecting work and resources.

Since the staff is relatively new, we also plan to develop program and functional expertise within the OAIGE staff (issue-area coordinators) to serve as OAIGE's resident experts for assigned Operating Administrations and/or program areas, providing technical advice and direction to other analysts working in the issue-area coordinator's assigned area(s), similar to the way our audit staff functions. Each coordinator will be responsible for establishing and maintaining close contact with relevant DOT personnel (e.g., OIG Audits, OIG Investigations, and DOT audit liaisons, program managers, and subject-

matter specialists), maintaining files of relevant issue-area information, and developing and reviewing work plan proposals.

Investigations

The Office of the Assistant Inspector General for Investigation's goals for FY 1995 are to continue our oversight of the Department's involvement with the safety of the traveling public and the building and rebuilding of America's infrastructure. We plan to continue our involvement in detection of motor fuel excise tax evasion, expanding our efforts, where possible, to include other fees and amounts owed to DOT. We will apply our expertise gained in prosecuting bogus aviation parts to eliminate suspected unapproved parts, product substitution, and inferior materials in all modes of transportation infrastructure such as bridges, highways, railways, mass transit, and pipelines. These efforts will be of paramount importance as DOT makes large increases in infrastructure investments. We also want to expand our efforts against bid rigging in the road construction industry. These efforts will include detection and prosecution of contract fraud, kickbacks, or conflicts of interest in all kinds of DOT contracts and grants. We will also increase our coverage of oversight of transportation of hazardous materials.

Fraudulent practices which impact the Disadvantaged Business Enterprise Program in DOT-funded projects are of continuing concern to the Office of the Assistant Inspector General for Investigations. Although there has been an historical lack of prosecutorial enthusiasm for disadvantaged business enterprises cases, some U.S. Attorney's offices have expressed interest in examining the problem further. To that end, the Office of Assistant Inspector General for Investigations will employ both proactive reviews and reactive investigations to identify areas of weakness and greatest concern regarding disadvantaged business enterprise fraud. We intend to work closely with other investigative agencies and our own Operating Administrations to identify targets.

We also intend to work more closely with the different management elements throughout the Department. Increased cooperation with the Operating Administrations should contribute to greater effectiveness and harmony. As part of closer cooperation with management, the Office of the Assistant Inspector General for Investigations plans to increase use of Management Implication Reports. As a result of our investigative activity, when a serious safety or management issue is identified, a management implication report will be issued so that the Operating Administration is quickly notified of our findings. A Management

Implication Report allows us to make recommendations, thereby ensuring the problem will be thoroughly addressed.

Our office restructuring plan, as implemented in FY 1994, will continue, with a thrust of reducing administrative overhead through the closing of some of our smaller offices. This plan will also help reduce the number of higher-graded managerial positions within the Office of the Assistant Inspector General for Investigations and free those FTEs for investigative positions. We will also continue our goal to decentralize many Headquarters functions with an aim toward empowering our field managers and staff.

Our Challenge

We have many new efforts underway to implement NPR suggestions, the Secretary's Strategic Plan, and downsizing, while continuing to improve the OIG. We will also be working with the Secretary, Congress, and departmental managers to improve DOT program management. We, as well as all of Government, must be vigilant to identify programs which are candidates for downsizing and spending cuts, and Government must be willing to take the steps necessary to implement those changes. Now more than ever, we must be willing to state when programs are not delivering their desired purpose or outcome. Such programs must be ended or changed, rather than be permitted to drag on for years as has been the case in the past. Such programs drain precious Federal funds, funneling them to the inevitable constituencies created by Federal programs and payment of Federal dollars. Even when we have identified programs that have totally, abjectly, and unarguably failed to accomplish their mission, the OIG, the Department, and I am sure you--the U.S. Congress--have been bombarded by these program-created constituencies whose existence became tied to the Federal funds they obtained from Federal programs.

It is impossible to have a Federal Government responsive to the changing needs of a vibrant and creative Nation if we are forever chained to Federal program constituencies forged in different times and nurtured under different circumstances. With the advent of Federal spending caps, and the increasing percentage of our budget claimed by Federal entitlement and social assistance programs, there can be no flexibility, no responsiveness, no ability of our Federal Government to respond to the pressing needs of the Nation without the ability to end old programs and end failed initiatives. Without change, the funding realities make it inevitable that the ability of our Government to be responsive will dwindle with each passing budget, and each passing

Congress. Without new taxes or other revenue measures, only by tough choices will new hope, and help, arise.

We will continue to strive to be a valued partner in your effort to improve Government, especially in this new era of hard choices and new challenges. In the last century, our Nation's frontier was the west. In the 60s it was the "New Frontier" of foreign and domestic policy. In the 70s, the moon conquered, our frontier was outer space. Many now myopically bemoan the loss of the last frontier. In fact, the Nation is now facing a new, and perhaps its toughest, frontier--the bottom line. We will work with you to make it a defensible frontier.

POSITION REDUCTIONS

Mr. CARR. Well, thank you very much. I am glad you put that last bit in there. I would think, frankly, that it is important to have a vigorous IG even if there was not one prison sentence or one dollar of fine that was recovered. I don't think we want to put your agency on a pay-as-you-go basis, because the benefits of deterrence are not included in that tally.

If we didn't have an IG, I am sure that there would be people tempted to do a whole host of other things that they are not doing. It is not that they are criminals, but they give something a second thought because they know there is such a thing as an IG and you have a vigorous staff and you have prosecuted your mission with vigor. And so it seems to me that there is a benefit if you didn't recover one fine and you didn't have one day of prison sentence for it, it is just a matter of checks and balances and keeping people honest, making sure that those who are tempted don't stray from the path and those that do can have some assurance that they are going to have some kind of restitution to pay or pay some kind of fine or penalty.

We have several questions that we are going to ask for the record. You either have them or soon will have them. I would like to just get a brief oral statement from you on where—if we were not able to accommodate you with a hold harmless budget, where would you cut in subject matter areas, where would you have to diminish your efforts?

Ms. SCHIAVO. Well, unfortunately we have to diminish our efforts in two areas. Some cuts are going to be very painful, but we are going to make the changes to comply with the downsizing plans and to respond the calls of the President, the NPR, and the Secretary. First, we are going to take a five-person cut in the Office of Policy and Personnel. We plan to downgrade that office.

The head of the office was previously an Assistant Inspector General and we are going to downgrade the office to make it a directorate, rather than an AIG, and take a cut of five positions in that shop. That is consistent both with the President's order and the NPR report calling for us to downsize administrative staff and functions. The rest of the budget cut, the other 30 persons, will have to come from audit. The reason is that on the investigative side, we are already cut to the bare bones. We have 70 investigators to cover the entire country and now with some of our initiatives we are even getting leads and information coming from overseas into this country. The investigative side is absolutely stretched to the limit.

I could not take a cut there without compromising the investigations. That left audit and inspections and evaluation. Inspections and evaluation is the newest unit and is extremely, extremely busy. Furthermore, to take the cuts there would have been a very severe impact on new office of only 25. So audit was the largest and could better survive the cut.

Mr. CARR. I can only repeat what I said. In a perfect world, I would be giving you some more money and some more FTEs. I don't think that is in the cards. But given that your office and the Saint Lawrence Seaway Development Corporation are the only

agencies targeted for a cut out of the entire Department, seems to me to be somewhat penny-wise and pound foolish.

If your budget was considered in a lump of law enforcement, I am sure that the result would be different. It depends on how you look at your agency. If you are looked at as law enforcers, I am sure that there would be no cuts. On the other hand, if you are looked upon as people who get in other folks' way and are a nuisance, then the whole thing can be eliminated. So it is really how you spin it. I prefer to think that you are the cops of the DOT. And it is law enforcement, it is making sure that people live up to the law. Crime isn't just a problem on the street, as we know.

You certainly uncovered the whole bogus part thing, for example. People who would prey on the unsuspecting. It wasn't the Justice Department, it wasn't the U.S. Attorney, it wasn't the FBI. I am sure they all participated when you got your facts together, but it was the IG that uncovered the problem and is pursuing it. So I just can't imagine this Committee or, frankly, the entire Congress—I don't speak for everybody, but I think that the idea that you are going to have to take a cut when these other agencies are getting the massive increases is just probably not going to happen. And it won't happen if I have anything to say about it.

So with that, I don't have any further questions. We do have questions for the record, though.

[Questions for the record follow:]

DOT ENERGY CONSUMPTION

Mr. CARR. In fiscal year 1991, DOT spent an estimated \$109 million on energy consumption in its buildings and facilities, about 90 percent of which involves FAA and Coast Guard facilities. In 1991, all executive departments were directed to reduce their energy consumption by President Bush, a goal which, I believe, is supported by President Clinton. Does the DOT have systems in place to measure how it is reducing its consumption of energy, and to reflect those reductions appropriately in the budget process?

[The information follows:]

Last year, we conducted an audit of energy conservation in Department of Transportation (DOT) facilities and found that DOT had made improvements in energy conservation and is in substantial compliance with the National Energy Conservation Policy Act, as amended. However, further improvements in the program were needed because DOT has no assurances that annual energy reports reflect achievements toward energy conservation goals. The internal accounting mechanisms used to assess the accuracy and reliability of energy data vary among each Operating Administration. FAA uses the Energy Management Reporting System (EMRS) along with actual billings and meter readings to capture energy consumption and costs. FAA is in the process of enhancing and upgrading EMRS to make it more effective. However, FAA had exempted all facilities from the 10-percent reduction in building energy consumption by stating that its buildings and facilities were energy intensive. OST has since issued guidance to the Operating Administrations on defining energy intensive use within DOT facilities and instructed them to identify and report on those buildings and facilities that meet the definition of energy intensive. Further, the United States Coast Guard's (USCG) internal accounting mechanism does not provide assurances that energy consumption and the associated cost data are accurate and reliable. USCG agreed with our report and began capturing its energy consumption and costs through USCG Finance Center reports. These reports are cross-checked by using a sample of energy consumption reports submitted by field units. In addition, USCG is developing a comprehensive reporting system.

Our audit also found that DOT was not following existing guidelines on identifying funds for energy retrofit projects and conservation measures in their annual

budget requests to Congress. OST agreed and revised its budget instructions to the Operating Administrations to include the additional requirements of the Energy Policy Act of 1992.

REDUCTION OF INTERNAL REGULATIONS

Mr. CARR. Executive Order 12861 directs agencies to reduce half of their internal regulations within three years. What role does the OIG have in reviewing those regulations scheduled for elimination, to ensure that the reduction will not raise the potential for fraud, waste, and abuse?

[The information follows:]

In accordance with Section 4 (a)(2) of the IG Act, as amended, the OIG is responsible for reviewing all changes to regulations including eliminations. During this ongoing process, we will be reviewing reductions in regulations to ensure their elimination does not raise the potential for fraud, waste, and abuse. We will be reporting on this process in the Semi-annual Report.

REVIEW OF DEPARTMENT'S RULEMAKING PROCESS

Mr. CARR. Please provide a listing of the conclusions and recommendations made in the final report to the Secretary of Transportation regarding the OIG's review of the Department's rulemaking process.

[The information follows:]

At the request of the Secretary, an evaluation of the Department's rulemaking process was performed. We concluded that although the DOT rulemaking process works, it could be more efficient, effective, and timely. We also concluded rules languish in DOT for a variety of reasons that produce a cumulative delaying effect on the promulgation of rules. We determined the most significant reasons were within the Department's authority to change, and made the following recommendations for improving this process: Revise the Department's regulatory review procedures by issuing a Secretarial policy statement making promulgation of regulations a Departmental priority, by delegating authority and accountability to operating administrations (OA) to approve nonsignificant rules without going through the Office of General Counsel, and by eliminating the requirement to publish petition denials in THE FEDERAL REGISTER so OAs can more quickly deny petitions; incorporate deadlines in the review process; delegate authority and accountability to enforce compliance with those deadlines; delegate authority to mediate nonconcurrences; ensure properly trained staff; and provide better status reporting to Congress.

Mr. CARR. Last year you conducted a review of the Department's rulemaking process for the Secretary of Transportation. What were some of the main findings of your review, and have any of your recommendations been implemented?

[The information follows:]

We identified a variety of problem areas in the Department's rulemaking process which cause delays in the process. These problem areas are: Outdated policies and procedures for review of regulations; shortage of rulemaking staff throughout DOT; lack of expertise in drafting regulations; cumbersome review and concurrence process; lack of authority and accountability to set and enforce deadlines; volume of petitions received; and unrealistic congressional deadlines.

The Secretary accepted our recommendations and they are being implemented. In addition, the Department's National Performance Review team on rulemaking used our evaluation as a primary tool for their own review of this process, complimented us on our work, and adopted all of our recommendations.

Mr. CARR. Did any of your recommendations have budgetary impacts?

[The information follows:]

The recommendations in our report to the Secretary on the Department's rulemaking process to date have had only operational impact with indirect budgetary

implications. Full implementation of those recommendations will significantly increase the efficiency and effectiveness of the rulemaking process, resulting in higher quality regulations being prepared and implemented in shorter timeframes.

DEPARTMENT'S REGULATORY REVIEW

Mr. CARR. In 1992, DOT reviewed its regulations in response to President Bush's government-wide moratorium on regulatory action. The Department identified more than 300 administrative or legislative changes which could be used to reduce the regulatory burden on industry and the public, including many regulations which were no longer needed. To what extent has the Department implemented the findings of this regulatory review process, and to what extent do we see those changes reflected in the budget?

[The information follows:]

The Office of General Counsel (OGC) is no longer tracking the implementation of the administrative and legislative changes made in response to President Bush's government-wide moratorium on regulatory actions. To provide an update for the past year would require a very intensive and time consuming effort on the part of OGC and the Operating Administrations. OGC also did not track budget implications for individual regulatory actions.

MONETARY PENALTIES FOR SAFETY VIOLATIONS

Mr. CARR. Last year, you issued several reports on the assessment and collection of monetary penalties for safety violations. What are your views on the effectiveness of this process as a deterrent to violations?

[The information follows:]

Monetary penalties for safety violations have not served as an effective deterrent to violations. Our audits found that penalty cases were not processed in a timely manner to ensure prompt collection; collection remedies were not utilized; and interest, late penalties, and administrative charges were not assessed for delinquent accounts. Also, monetary penalties were too low to deter repeat violators.

Our audits in the FAA, Coast Guard, RSPA, and NHTSA found that penalty cases were not processed timely. For instance, our December 1992 audit report on RSPA's Assessment and Collection of Penalties found that RSPA took an average of 542 days from the date of inspection to the issuance of a final order assessing a pipeline safety penalty. Delays in processing violation cases hinder the prompt collection of fines and permit unsafe conditions to continue. Further, case processing delays leave an impression with violators that DOT is not serious about enforcement. Our April 1992 report on FAA Assessment and Collection of Monetary Penalties found that collection remedies available through the Debt Collection Act of 1982 and DOT procedures were not utilized. Further, interest, penalties, and administrative charges for the delinquent payment of civil penalties were not assessed. Also, past audits such as our November 1991 audit report on the Vehicle Weight Enforcement Program found that low fines are a nuisance but are not an effective deterrent. High fines and penalties dissuade violators if they are combined with a consistent vigorous enforcement program. Fines schedules that increase for repeat violations are also considered an effective deterrent.

ELECTRONIC EXCHANGE OF PROCUREMENT INFORMATION

Mr. CARR. On October 26, 1993, a Presidential Memorandum was issued which encourages the electronic exchange of procurement information, such as invoices, between the Federal Government and the private sector. Please briefly describe the requirements of this memorandum and explain what the OIG is doing to ensure that sufficient controls are in place to protect both proprietary rights and the public interest.

[The information follows:]

The Presidential Memorandum requires the Federal Government to implement an electronic commerce system to simplify and streamline the procurement process as quickly as possible. The objectives of the electronic commerce system are to (1) exchange procurement information electronically, (2) provide businesses with greater access to Federal procurement opportunities, (3) provide potential suppliers with simplified access to the system, (4) employ nationally and internationally recognized data formats, and (5) use agency and industry systems and networks.

The President's Management Council is spearheading development and implementation of the electronic commerce system, with assistance from program agencies, technical support agencies such as the National Institute of Standards and Technology (NIST), and central management agencies such as OMB (through its Office of Federal Procurement Policy). To implement the system, the council is to take the following actions:

By March 1994, define the architecture for the Governmentwide electronic commerce system and identify executive departments and/or agencies responsible for developing, implementing, operating, and maintaining the system;

By September 1994, establish an initial electronic commerce capability to enable the Federal Government and private vendors to electronically exchange standardized requests for quotations, quotes, purchase orders, and notice of awards, and begin Governmentwide implementation;

By July 1995, implement a full scale Federal electronic commerce system which expands the initial capabilities to include electronic payments, document interchange, and supporting databases; and

By January 1997, complete Governmentwide implementation of the electronic commerce system to the maximum extent possible.

The memorandum also requires the heads of each executive department or agency to (1) ensure that budgetary resources are available, (2) assist the President's Management Council in implementing the electronic commerce system, and (3) designate one or more senior level employees to assist the President's Management Council. At DOT, Mortimer L. Downey, Deputy Secretary, is the Department's senior level official for this effort and two other DOT employees have been detailed to work directly with the President's Management Council.

NIST is responsible for providing technical assistance to help ensure sufficient controls are in place to protect both proprietary rights and the public interest. Accordingly, the OIG does not foresee an active role at this time unless specifically requested by the Deputy Secretary. However, the OIG does plan to take a proactive role in monitoring implementation of the system at DOT (tentatively scheduled for September 1994) to help ensure the Department has adequate controls in place. This is consistent with the OIG's role in the implementation of other DOT-wide systems, such as the Departmental Accounting and Financial Information System (DAFIS) and the Integrated Personnel/Payroll System (IPPS). For both the DAFIS and IPPS projects, the OIG has been actively involved, in an advisory role, in monitoring DOT's development and implementation efforts and providing advice and suggestions for improvements. For example, early in the requirements definition phase of IPPS, the OIG expressed concerns about the absence of certain controls. As a result, OST made changes to incorporate the controls into the requirements, thereby alleviating our concerns. Our efforts on both projects have led to an extremely positive working relationship with OST and provided them up front with constructive advice. We expect to use this type of approach to help ensure DOT incorporates the appropriate controls, no matter what type of procurement system they ultimately install. The OIG plans to monitor the Department's actions once implementation begins to ensure controls are sufficient.

CONGRESSIONALLY MANDATED REPORTS

Mr. CARR. The National Performance Review recommended a 50 percent reduction in Congressionally-mandated reports. What is the department doing to implement this recommendation? Is a list being put together of suggested eliminations, and if so, what is the OIG's role in drafting that list?

[The information follows:]

The Department is proposing 31 reports for elimination and 6 for modification. A listing of specific reports was transmitted on January 31, 1994 to the Chairman and Ranking Minority Member, Senate Subcommittee on Oversight of Government Management and to the Director, Office of Management and Budget. The only role the

OIG had in drafting this listing was providing input of recurring congressional reports impacting our own operations which we felt could be eliminated or modified.

STREAMLINING GOVERNMENT

Mr. CARR. As you indicated in last year's hearing, calls to the IG hot line and letters to the IG skyrocketed after the Vice President's public appeal for citizens to help improve the processes of government as part of the "streamlining government" initiative. I understand that this information was eventually analyzed and reported by your office to the Secretary and to the modal administrations. Please provide a list and discussion, by mode, of the most significant suggestions raised as a part of this extraordinary process.

[The information follows:]

We found that the preponderance of calls centered on what the sources considered waste, burdensome requirements, faulty processes and operations, political issues, or complaints involving local transportation facilities and services. We had no calls that affected the U.S. Coast Guard, Maritime Administration, Research and Special Programs, or the Saint Lawrence Seaway Administration.

DEPARTMENT OF TRANSPORTATION SUMMARY OF CALLS TO STREAMLINE GOVERNMENT

FEDERAL AVIATION ADMINISTRATION

- Objection to allowing Frank Lorenzo to re-enter the airline industry (This was the subject of over 300 calls.)
- Reduce the printing/distribution of FAA flyers, newsletters, general interest publications (Second largest number of calls).
- Opposition to proposed new or expanded airports.
- Raise U.S. airport landing fees for foreign users to equal those charged to the U.S. by other countries.
- Support for re-regulation of airline industry.
- Opposition to reinstatement of striking air traffic controllers.
- Require general aviation pilots/passengers to wear shoulder safety belts and helmets.
- Eliminate FAA VIP aircraft in Washington, DC. Being misused; waste of funds.
- Not all airport construction contracts need requirement for awardee to carry liability insurance. Adds at least 2 percent cost to every contract.
- Extend length of each different shift for air traffic controllers. Current frequency of change precludes adjustment; causes additional stress and fatigue.

FEDERAL HIGHWAY ADMINISTRATION

- Stop waste on unneeded road and bridge improvements using ISTEA funds. Local governments spending Federal funds indiscriminately.
- Designate all interstate highways as toll thoroughfares. Would increase revenue, encourage better maintenance, create jobs.
- Government should consider employing prisoners for routine highway and bridge maintenance.
- Government should step up bridge painting efforts. Corrosion/erosion serious and wasteful problem.
- Ensure photosensitive highway lights work properly. Lights are often on in bright daylight.
- End duplication of road checks for trucks and drivers. Need to coordinate among the highway patrol, motor carrier safety inspectors, hazardous materials inspectors, and local revenue agents.

NATIONAL HIGHWAY SAFETY ADMINISTRATION

- Support for safer automobiles (research, regulation, etc.)
- Helmet laws for motorcyclists should be enforced in every state.
- Government should require all vehicles to be equipped with speed governors. Savings in law enforcement costs; promote safety.
- Set higher standards for truck tire retreads. Cast off treads are a safety hazard and add to disposal and road cleanup costs.

FEDERAL RAILROAD ADMINISTRATION

- Government should support expansion/improvement of Amtrak service. More energy efficient equipment and operations.
- Government should consider employing prisoners for railroad track and easement maintenance.
- Need tighter controls on railroad employees and unions. Too much featherbedding, job duplication, retention of obsolete jobs, and union controlled work hours and pay.

- Support and promote development and use of railroads, especially high speed systems. Use Europe and Japan as models.
- Objection to creation of a \$64 million railroad museum. Waste of funds, especially with current economy.

FEDERAL TRANSIT ADMINISTRATION

- Support and effort to promote mass transit is needed. The money and energy savings would be substantial.
- Ridership figures compiled by urban transit companies and authorities should be reviewed for authenticity. Subsidies should be reduced accordingly.
- A busway extension outside Pittsburgh, costing \$43 million for a 2.3 mile addition, was termed as wasteful.

USER FEE—INTERNATIONAL AIR CARRIERS

Mr. CARR. The NPR recommended the imposition of user fees for overflights of domestic airspace by international air carriers. Has the OIG done any work in this area, and if so, what are your findings and recommendations?

[The information follows:]

We have not done any work on this subject. In a recent audit, we identified the need for higher charges for FAA inspection of foreign repair stations. We advised the NPR team of this issue, recommended its inclusion as an NPR recommendation, and provided draft recommendations.

FEES FOR FOREIGN REPAIR FACILITIES

Mr. CARR. Likewise, the NPR recommended increasing fees for the FAA's inspection of foreign repair facilities. Is this a good idea? How much additional revenue would that bring in on an annual basis?

[The information follows:]

In our audit of foreign and domestic repair stations, we noted that FAA costs of performing inspections of foreign repair stations far exceeded the fees charged for those inspection services. We suggested that FAA either increase fees or establish a mechanism to assure FAA receives reciprocal services. We recommended the NPR include this as an NPR recommendation, and provided a draft recommendation. The NPR team adopted this suggestion and estimated about \$8 million of additional revenues over the period FY 1994–1999.

SAFETY AND INSPECTION OVERSIGHT

Mr. CARR. Why did you put safety and inspection oversight at the top of your “most significant issues” list this year?

[The information follows:]

Everyone agrees that safety and inspection oversight is DOT's most important mission. There is nothing DOT does that is more important than ensuring the safety of highway, air and rail travel, pipeline transportation, etc. yet, as we look at how well DOT Operating Administrations perform this role, we see significant gaps that concern us very much. FAA's oversight of air travel is a good example. Our audits have shown very poor to non-existent oversight of parts on aircraft, we have found that mechanics examiners do not do their job well and FAA's oversight mechanisms do not identify the problem, security at airports most at risk (Category X) is poor, and again FAA has not, on its own, identified and fixed the problem. These same type of concerns impact other Operating Administrations; for example, our audits have shown that USCG has not made adequate reviews of commercial vessel and recreational boat manufactures and several Operating Administrations need to improve their drug testing programs. If safety oversight is DOT's main mission, these types of problems should not exist.

SUSPECTED UNAPPROVED PARTS (SUPS)

Mr. CARR. Why was suspected unapproved parts [SUPs] dropped from the list provided last year? What replaced it?

[The information follows:]

Suspect unapproved parts (SUPs) is still a major problem in the aviation industry as well as other transportation modes. We dropped this issue from our list this year because the problem is really an integral part of the safety oversight issue that we have listed. SUPs was replaced on our list by cost growth on FAA's air traffic system.

STATES THAT SUBSCRIBE TO BAMS SYSTEM

Mr. CARR. Please provide a listing of the States subscribing to the BAMS system, and annotate those which indicate they are actively using the system to catch collusive bids.

[The information follows:]

Alabama, Arkansas, California, Colorado (active collusion detection-new), Connecticut, Florida (active collusion detection), Georgia, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Michigan, Minnesota, Missouri, Nebraska, New Jersey, New Mexico, New York, North Carolina (active collusion detection), Ohio, Oklahoma, Pennsylvania, South Carolina, Texas (active collusion detection), Virginia (active collusion detection), West Virginia, Wisconsin, and Wyoming.

BID-RIGGING ISSUES

Mr. CARR. Please provide data on your budgetary resources (dollars and FTE) working on bid-rigging issues for each of the fiscal years 1991 through 1995.

[The information follows:]

In fiscal year 1991, 6 percent or 2.5 staff years were dedicated to bid rigging. This represents a total of 5,350 hours. Using an average hourly cost of \$26, approximately \$139,100 were expended.

In fiscal year 1992, 3.5 percent or 1.5 staff years were dedicated to bid rigging. This represents a total of 3,203 hours expended on bid rigging, resulting in approximately \$86,500 being expended.

In fiscal year 1993, 3 percent or 1.5 staff years were dedicated to bid rigging. This represents a total of 3,153 hours expended on bid rigging, resulting in approximately \$89,900 being expended.

Based upon data through February 25, 1994, we project utilizing 6 percent of our investigative resources for fiscal year 1994 or 3.6 staff years for a total of 7200 hours on bid rigging with approximately \$216,000 expended.

Since bid rigging is one of our top four priorities, we have allocated 15 percent or 9 staff years for fiscal year 1995. If we meet that goal we will expend approximately \$540,000.

BID-RIGGING INVESTIGATIONS

Mr. CARR. How many bid-rigging investigations are you currently involved in, and how does that compare to this time last year?

[The information follows:]

The OIG has 25 bid rigging investigations currently being conducted. Last year, at this time, the OIG was conducting 20 investigations.

HIGHWAY TRUST FUND FINANCIAL AUDIT

Mr. CARR. What were the results of your audit of the fiscal year 1992 financial statements of the highway trust fund? Did management agree with the findings and recommendations? What is being done to address those problems?

[The information follows:]

The OIG intended to render an audit opinion only on the Statement of Financial Position for the Highway Trust Fund because of FHWA's and FTA's planned conversion to DAFIS in FY 1993. A documentation problem related to one account (Accounts Payable-Nonfederal) in FHWA impaired the scope of our work on the Statement of Financial Position, resulting in our disclaiming an opinion on all the Highway Trust Fund financial statements. Nevertheless, as our work demonstrated, the internal control structures associated with the FY 1992 financial statements for the Highway Trust Fund needed to be strengthened. We also reported instances of non-compliance with laws and regulations affecting the financial statements. The OIG identified financial statement material weaknesses related to (i) liability for unbilled program costs; (ii) reimbursement processing and approval; (iii) presentation of Trust Fund Corpus; and (iv) monitoring of grantees. The OIG also identified a less

serious but still reportable internal control deficiency related to segregation of duties. We reported noncompliance with laws and regulations in areas related to (i) adherence to performance measurement requirements and (ii) accrual of grant payments. Finally, we included two additional issues in the audit report without recommendations because these issues had been referred for legal opinions. The two issues concerned the propriety of (i) FTA's method of funding grant projects from multiple appropriations and (ii) NHTSA's method of financing operations and research activities. The legal opinion subsequently received on the FTA issue concluded FTA's procedures conformed to applicable laws and regulations. The OIG is still awaiting the final legal opinion on the NHTSA issue.

All recommendations have been resolved. FHWA, FTA, and NHTSA agreed with, and have either taken or promised responsive corrective actions on, 17 of the 19 recommendations. The OIG, in coordination with the Office of the Secretary, closed without action two recommendations relating to reporting under the FMFIA. In response to our recommendations, FHWA (i) implemented procedures to obtain auditable amounts for accrued unbilled program costs for the FY 1993 financial statements; (ii) completed, or agreed to initiate, actions to correct weaknesses in reimbursement processing, including segregating duties, developing written procedures, and establishing controls; (iii) agreed to present the Highway Trust Fund Corpus separately from FHWA funds in the FY 1993 financial statements; (iv) agreed to properly disclose in the FY 1993 financial statements any accounts receivable for the waiver of state share resulting from states agreeing to repay amounts due; and (v) initiated procedures to develop and report performance measurements in accordance with OMB guidance. FTA (i) agreed to develop procedures for monitoring grant payments and (ii) has included in the FY 1993 financial statements a liability for accrued unbilled program costs. NHTSA (i) developed controls to ensure an adequate segregation of duties in its payment processing operations and (ii) increased the frequency of the Vendor Audit Report for management review.

BRIDGE INSPECTION PROGRAM

Mr. CARR. What are the results of your reviews of the various DOT bridge inspection programs, and did FHWA take appropriate action to correct the problems you identified?

[The information follows:]

In conjunction with the National Transportation Safety Board's (NTSB) request in 1987 for the OIG to periodically monitor FHWA's Bridge Inspection Program, we have conducted audits of FHWA's On-System and Off-System Bridge Inspection Programs in 1988 and 1991, respectively. We generally found FHWA's Bridge Inspection Program to be adequate; however, we identified areas where improvements were needed. For example, we found that:

Bridges were not always properly posted to warn motorists of the weight load restrictions placed on the bridges. Without proper load postings, vehicles which are heavier than the bridge can safely carry may use the bridge causing an unsafe situation.

Underwater bridge inspections were not always performed to evaluate the physical condition of the bridge and the foundations which cannot be viewed from above the water level. It is essential that underwater inspections be conducted since underwater problems have caused bridges to collapse.

Some state inspectors did not conduct thorough bridge inspections in an organized manner to assure that all major bridge elements were reviewed. These inadequate inspections usually occurred because proper inspection equipment was not always available.

Off-system bridge inspection programs in some states did not ensure that all bridges which were most at risk for potential safety problems were inspected when required.

FHWA generally agreed to our findings and recommendations and took appropriate corrective actions on over 30 recommendations. In addition to FHWA's bridge inspection programs, we are planning to conduct audits in 1994 on FRA's inspection programs for railroad bridges and FTA's inspection program for mass transit bridges.

LOS ANGELES COUNTY TRANSPORTATION COMMISSION

Mr. CARR. On page 46 of the justifications, you state you are investigating allegations of impropriety with the Los Angeles County

Transportation Commission. Can you tell us the nature of the allegations? Do you have any preliminary findings at this time?

[The information follows:]

In April of 1993, the Los Angeles County Transportation Commission (LACTC) merged with the Southern California Rapid Transit District (SCRTD) to form the Los Angeles Metropolitan Transportation Authority (LAMTA). A joint investigation by our Los Angeles Field Office, the Los Angeles Office of the Federal Bureau of Investigation (FBI), and the Civil and Criminal Division of the Office of the United States Attorney, Central California District, was initiated to deal with allegations of improprieties and construction irregularities associated with the construction of the Los Angeles Light Rail System now administered by the LAMTA.

Allegations have been made regarding the type and thickness of the concrete used in tunnels and regarding public corruption. The investigation has been prioritized to deal with these specific allegations and to develop possible wrong doing in other areas. The investigative priorities are:

1. Construction Integrity.
2. Bid Rigging.
3. Procurement—Non Construction (consultants, automation and escalating contracts).
4. Public Corruption.
5. Minority Business Enterprises fraud.

The investigations are ongoing and there are no preliminary findings to report at this time.

TRANSIT AGENCY PROFESSIONAL SERVICES

Mr. CARR. In a July 1993 audit in region five, you found that Federal funds were used to procure professional services for transit agencies without sufficient oversight. For example, three grantees acquired services without executing formal contracts. You also identified several instances of apparent conflicts of interest. Please provide more about your audit, and describe what needs to be done to correct these problems.

[The information follows:]

Professional services are usually acquired using negotiated procurement methods. Triennial reviews are one of the principal methods used by FTA to monitor grantee operations, including procurements involving Federal funds. However, Region 5's guidance and oversight of its grantees was not adequate to ensure that these types of procurements were made in accordance with Federal requirements. We found deficiencies at each of the six grantees included in our audit, and with each of the 87 contracts received totaling \$18.9 million (\$7.8 million Federal share). In addition to the procedural deficiencies reported, we referred four instances of apparent conflict of interest and three instances of potential fraudulent billings to OIG investigations.

Inadequate FTA oversight of its grantees, including deficiencies in their contracting procedures, has been a recurring internal control weakness over the past several years. To date, FTA has not successfully addressed this weakness. Unless FTA Region 5 more aggressively enforces its procurement requirements, grantees will likely continue to ignore requirements designed to ensure that negotiated procurements comply with Federal requirements.

Mr. CARR. What is meant by "professional services"? What are the main types of skills being acquired?

[The information follows:]

Grantees acquire professional services from outside sources to assist in managing and carrying out Federally funded projects. Contractors are generally selected based on an assessment of their qualifications and the ability of the parties to negotiate a mutually acceptable cost for the services.

The main types of skills being acquired are architectural and engineering, construction management, legal, and accounting, audit, and other administrative support services.

COAST GUARD'S DISABILITY PAY PROCESS

Mr. CARR. Have you done any recent work on the Coast Guard's process for granting disability pay? If so, what were your findings? [The information follows:]

No recent reviews have been performed on the USCG's process for granting disability pay to military personnel. However, the OIG expects to issue a Department-wide draft audit report in March 1994 on the Workers' Compensation Program. This program covers civilian personnel and costs USCG approximately \$6 million annually. We found USCG effectively implemented light duty programs to return to work, and the administrative procedures over claims processing were managed effectively. However, the USCG was not effectively monitoring long-term Workers' Compensation claims or taking appropriate action to reemploy recovered claimants.

Military individuals on the Temporary Disability Retired List (TDRL) receive 50 to 75 percent of their retired base pay for up to 5 years while their case is being adjudicated. As of February 28, 1994, the USCG had 428 individuals on the TDRL at an annual payroll cost of \$3 million. There are 4,269 former military personnel permanently retired on disabilities at an annual cost of \$42 million. As the last OIG audit of the military disability pay was in 1984, we will add this area to our rolling audit plan.

COAST GUARD MEDICAL CLINICS

Mr. CARR. I believe you have underway a review of the Coast Guard's management of its medical clinics. Can you share any of your preliminary findings?

[The information follows:]

The objectives of the audit are to determine whether (i) the size and staff levels of planned Coast Guard medical clinics are supported by workload data; and (ii) Coast Guard policies for sizing and staffing clinics conform with Federal regulations. The audit is in the survey phase, and we are working with the Coast Guard to determine and understand criteria and standards the Coast Guard uses to formulate its clinic requirements. We have raised some questions and identified some size and staff disparities within the Coast Guard and in a comparison between the Coast Guard and the private sector. To answer some of these questions, a senior staff member of our staff and the senior medical officer of the Coast Guard will visit private sector primary care facilities in the next few weeks. The Coast Guard Chief of Staff has told us he will not authorize contracts for construction of new clinics until we are both satisfied that all questions and disparities are answered or objectively explained.

COAST GUARD ACADEMY PROCUREMENT

Mr. CARR. Some Coast Guard units were using the Coast Guard Academy to procure supplies and services for them, in order to avoid procurement constraints such as competition and written statements of work. Can you give us some examples found in your audit, and tell us whether this has been corrected?

[The information follows:]

The following are two examples of instances in which other Coast Guard units utilized the Academy to avoid procurement constraints such as competition and written statements of work.

Research and Development Center.—The Coast Guard Research and Development Center (Research Center) wanted a specific accounting firm to develop a strategic plan for accomplishing its management business objectives. The strategic plan involved a review of operations, management, and organization, as well as interviews of Research Center personnel and customers. To avoid competitive procurement requirements, the Research Center requested the Academy to issue a Military Interdepartmental Purchase Request (MIPR) to develop the plan. The Academy issued a MIPR for \$150,000 to the Naval Underwater Systems Center (Naval Center) to provide this service. The Naval Center assigned the work to the engineering firm already under contract to provide technical services. The engineering firm then subcontracted the work to the accounting firm that the Research Center wanted to de-

velop its strategic plan. The accounting firm completed the Research Center's plan at a cost of \$94,000. Accordingly, this arrangement resulted in \$56,000 of unnecessary cost to the Research Center (\$150,000 minus \$94,000). In addition, the Statement of Work for the Naval Center's contract did not contain the Coast Guard's requirement to develop a strategic plan and the Procurement Branch should not have issued the MIPR.

Coast Guard Headquarters.—Coast Guard Headquarters required the Academy to develop an upgraded master building plan and suggested contacting an Air Force laboratory to perform this work. However, the laboratory performed primarily environmental and occupational safety work. Consequently, the Academy and the laboratory jointly developed a Statement of Work for an environmental study at the Academy which included the master building plan only as a secondary consideration.

The Academy issued a MIPR for \$325,000 to the laboratory for an environmental assessment and a master building plan at an estimated cost of \$112,000 and \$213,000, respectively. The laboratory then contracted with an engineering firm to perform the assessment and develop the master plan. Subsequently, the Academy had to modify the MIPR and rewrite the Statement of Work to emphasize the master building plan requirements.

The upgrade master building plan had to be completed prior to Coast Guard Headquarters' deadline. Accordingly, the MIPR was issued to obtain the master plan more quickly than would have been possible by competitive procurement. This action circumvented competitive requirements. As a result, the Academy did not obtain the benefits of competitive contract award procedures and incurred an estimated \$112,000 in costs for an unnecessary environmental study. In addition, the Academy should have prepared the master plan using its own staff, in accordance with the guidance provided by the Shore Facilities Planning Manual. Use of in-house Coast Guard personnel to perform this work could have avoided the need to issue a MIPR and could have resulted in additional savings to the Academy.

Since completion of our audit, the Coast Guard has taken action to strengthen its control over use of MIPRs. The Academy has tightened its review of customer MIPR requests and no MIPR is issued unless the Contracting Officer is certain that it is appropriate. The justification required may include a documented requirement to meet urgent customer schedules or the need for research capabilities not available in the private sector. In addition, the Academy requires an independent Government estimate demonstrating that the servicing agency's costs are comparable, or more advantageous to the Government than costs under commercial procurement procedures. If necessary, the Academy can also request a market survey or other independent cost information. Coast Guard Headquarters also chartered a study group to develop policies and procedures governing inter-agency support agreements. These requirements will apply to the Academy and will provide further controls over MIPRs.

COAST GUARD ACADEMY—RETAIL EXCHANGE SYSTEM

Mr. CARR. In another audit, you found that the Coast Guard Academy was using appropriated funds to pay expenses of the retail exchange system, which should have used nonappropriated funds instead. What were your specific findings, what was the dollar impact, and has the Coast Guard agreed to make the necessary changes?

[The information follows:]

The Academy improperly used appropriated funds to pay exchange system utility expenses. Based on a support agreement with the Academy's Facilities Engineering Division, the Exchange reimbursed the Academy \$6,000 in annual utility expenses for one of seven Exchange locations. However, our analysis of the Academy's FY 1992 utility expenses disclosed \$36,464 in utility expenses were allocable to the remaining six exchange system locations and should not have been paid by the Academy with appropriated funds.

The Academy also provided maintenance, repair, and installation services for painting, ceiling tiles, overhead lighting, and ice machines at no cost to the exchange system. This arrangement existed because the Academy determined the cost of providing these services was comparable to services the exchange system provided at no charge. These services included use of the Officers Club as a meeting place for appropriated activities, data input for the cadets' credit card system, and check cashing for cadets.

The Academy concurred with the findings and has taken appropriate corrective actions. The exchange system's budget has been amended to include an allowance for utility and maintenance expenses. A new support agreement also has been negotiated to allow proper reimbursement for miscellaneous services provided between the Academy and the exchange system.

EXCHANGE AUDITS—USE OF RESERVISTS

Mr. CARR. Has the Coast Guard changed its practice of using reservists to conduct the annual audits of exchange activities? You found this to be a particular problem, since the reservists received their evaluation from the officers they were auditing, and they lacked the tools to conduct good audits.

[The information follows:]

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audits of exchange activities. In December 1993, the Coast Guard advised exchange units that reservists will only be used to perform audits for 12 of the Coast Guard's smaller exchanges. The Coast Guard's 28 larger exchanges will be required to use a CPA firm for their 1994 annual audit. The Coast Guard is also in the process of developing regional contracts with CPA firms to conduct future annual audits and anticipates issuing these contracts for the 1995 annual audit cycle.

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re used to perform the annual audits. Coast Guard Headquarters will designate and schedule the reservist audit teams including issuance of orders to the reservists. Reservists performing the audits must present their orders to the local Commanding Officer for endorsement and processing upon arrival at the exchange. The reservist's final audit report must be completed prior to the reservist's departure from the exchange and the exchange may not issue direct payment to the reservist for services rendered. The reservist's rating will be prepared by Coast Guard Headquarters with input from the local Commanding Officer and Exchange Officer.

SHIP PARTS REQUIREMENTS—CURTIS-BAY SUPPLY CENTER

Mr. CARR. What was the Coast Guard's response to your audit of ship parts requirements determination at Curtis Bay Supply Center?

[The information follows:]

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th our recommendations and stated he had issued instructions which requires approval, by the Chief of the Inventory Management Section, before an item manager can vary from economic order quantity principles. Curtis Bay Supply Center's (SCCB) new computer model will incorporate the economic order quantity principle, economic repair quantities and maximum stock level. Also, SCCB will conduct an annual long supply review to identify items for retention or disposal. SCCB has agreed to eliminate off-base commercial warehouse space if inventory disposal clears sufficient warehouse space. All report recommendations are closed.

CONFIGURATION MANAGEMENT PROGRAM

Mr. CARR. In another audit, you said that certain changes in the Configuration Management Program could save the Coast Guard \$1.3 million. What were the problems, and have they agreed to make the changes? In what fiscal year would those savings occur?

[The information follows:]

Coast Guard was planning to use expensive contractor labor to verify vessel configurations and to inventory spare parts on all vessels included in the project. We recommended Coast Guard use enlisted personnel for these tasks after the contractor initially designed and validated data collection procedures. Coast Guard management agreed to make the recommended changes. The savings are projected to occur between Fiscal Years 1995–1999 and will total approximately \$1.3 million over this 5-year period.

CG'S DRUG INTERDICTION PROGRAM

Mr. CARR. Does the OIG plan on performing any reviews of the Coast Guard's Drug Interdiction Program? If so, why?

[The information follows:]

No additional work of the Drug Interdiction Program is planned at this time. In the past, the OIG has reviewed aspects of the program including the Fast Coastal Interceptor Program, the Acquisition of Replacement Helicopters for Operation Bahamas, Turks and Caicos Islands, Falcon Jets Performance, Controls over Seized Property, and the Aerostat Program. These reviews resulted in recommendations to strengthen USCG's drug interdiction efforts. This area has also been frequently audited by GAO. Since FY 1987, GAO has issued 11 reports on drug interdiction and control. Their recent reviews addressed the oversight needed to prevent acquisition of unnecessary equipment and program effectiveness.

CG'S DRUG TESTING PROGRAM

Mr. CARR. In the recent oil spill in Puerto Rico, the barge operator tested positive for drugs. What were the results of your review of the Coast Guard's drug testing program, what is the relevance to the Puerto Rico case, and what corrective action has the Coast Guard taken?

[The information follows:]

Our audit found that the Coast Guard's implementation and oversight of the marine industry drug testing program was not adequate to ensure marine employers complied with drug testing rules and regulations. We found deficiencies in the drug programs of 31 of the 32 marine employers reviewed. These conditions existed because Coast Guard did not (1) issue sufficient guidance for industry implementation, (2) require employers to have and/or submit written drug testing programs for review and approval or submit certification statements attesting to the employers' implementation of a drug testing program, (3) establish an inventory of employers required to test, (4) require employers to provide periodic reports of drug test results, (5) establish civil penalty provisions for employers in noncompliance, and (6) establish and maintain an oversight system to review and evaluate employer compliance. In addition, Medical Review Officers were not processing positive drug test results uniformly and Administrative Law Judges did not use consistent procedures to schedule drug cases or require similar rehabilitation requirements to prove cure. As a result, Coast Guard cannot be assured that employers are in full compliance with drug testing requirements and crewmembers performing safety-sensitive duties are drug free.

In response to our December 2, 1993 draft audit report, Coast Guard generally concurred with the findings and cited the insufficient resources as the reason for the lack of program implementation and oversight. Coast Guard agreed to take corrective actions in response to the report's recommendations. However, the corrective action target dates for some of the recommendations that are critical to the implementation and oversight of an effective drug program were scheduled for Fiscal Years 1995 through 1998. For example, Coast Guard does not currently maintain an inventory to monitor employers required to have a drug testing program and whether the employers have implemented a program. Coast Guard's target date for having such an inventory was March 1996. Also, October 1997 was provided as the target date for developing guidance and performing reviews to determine employers' implementation of a drug testing program.

The weaknesses in the Coast Guard's industry drug testing program constitute a material internal management control weakness and should be included in the Federal Managers' Financial Integrity Act Annual Report to the Secretary. In our opinion, Coast Guard's corrective actions to strengthen its implementation and oversight of the industry drug testing program need to be made on a more timely basis to help prevent accidents like the Puerto Rico oil spill.

KODIAK AIR STATION OPERATIONS

Mr. CARR. Your recent audit of Coast Guard military readiness stated that the Coast Guard has \$2,000,000 in computer equipment which had been procured for use at the Command Center at Kodiak Air Station, but the center is not operational. Why isn't this center operational?

[The information follows:]

Because of heavy fog and narrow waterways, the Coast Guard believed Kodiak Island was not suitable for a centrally located staging area for mobilization of forces should a major contingency arise. This viewpoint led to the U.S. Naval Forces Alaska (a joint U.S. Navy and Coast Guard Command) decision to establish the command center at Juneau rather than at Kodiak, Alaska.

COMPUTER PROCUREMENT AT KODIAK AIR STATION

Mr. CARR. Why did the Coast Guard procure this equipment before they had assurance that the command center would be built?

[The information follows:]

The U.S. Naval Forces Alaska (NAVAK), a joint U.S. Navy and Coast Guard Command, had planned to establish a command center at Kodiak, Alaska. As part of advanced planning, the equipment was purchased by NAVAK, using Navy funds. Subsequent to the purchase of the equipment, NAVAK decided not to place the command center at the Kodiak location.

Mr. CARR. How does the Coast Guard currently plan to use this equipment?

[The information follows:]

According to Coast Guard officials, all the computer equipment was transferred to the seventh district office in Juneau, Alaska, where the agency now plans to establish the command center for mobilization.

COAST GUARD'S LOCAL NOTICE TO MARINERS

Mr. CARR. In December 1991, you recommended changes in the preparation and distribution of the Coast Guard's "local notice to mariners" publication, which you believed would save the Federal Government \$2.4 million annually. What savings were estimated, and has the Coast Guard implemented them and realized the savings?

[The information follows:]

In response to our audit, the Coast Guard initiated a study to examine the entire navigation safety information network and determine cost savings while providing needed safety information. Although future savings from this study have not been finally determined, the study will result in reduced redundancy in the "local notice to mariners" publication. In addition, a user fee for the publication is being considered. The Coast Guard Office of Navigation Safety and Waterways Services experts to brief the Commandant on the study results during the second quarter of Fiscal Year 1994, with closure of our audit recommendations to be accomplished by June 1994.

In addition, the Coast Guard instituted a number of actions to save publication costs. These actions included use of a smaller size type, reduction in weekly supplements, and printing corrections using both sides of the page. The Coast Guard estimated these changes would result in \$290,000 of savings annually.

CG'S COMMISSARY AND RETAIL EXCHANGE MANAGEMENT

Mr. CARR. Please summarize each of your audits concerning Coast Guard commissary and retail exchange management over the past two years.

[The information follows:]

Over the past 2 years, we completed one commissary audit and nine retail exchange audits. The exchange audits included eight of the Coast Guard's largest retail exchanges and the Coast Guard Academy. Each of these exchanges generated between \$6.1 and \$12.8 million in sales during Non Appropriated Fund Activity Fiscal Year 1992. The results of the commissary and retail exchange audits are summarized below. Final reports have not yet been issued for the Air Station Cape Cod and Support Center Kodiak exchanges.

Support Center Kodiak - Commissary merchandise was not priced to recoup total transportation and processing costs from commissary patrons, surcharge revenues were neither fully collected nor always used for their intended purpose, and commissary prices were not reduced for vendor promotions and discounts. Physical inventories were not performed when required, properly documented, or accurately valued. As a result, the Coast Guard paid an estimated \$440,000 for transportation costs that should have been borne by commissary patrons, may not have sufficient surcharge revenues for commissary operations, and may not provide goods at the lowest possible price. In addition, the commissary's inventory was susceptible to mismanagement or fraud because of inadequate oversight, insufficient internal controls, and lack of adherence to established procedures.

Air Station Brooklyn - The exchange improperly paid Coast Guard reservists \$32,970 for an annual audit which was not completed; did not maintain adequate accountability and physical security over its assets, and comply with Coast Guard procedures for procurements, time and attendance, pre-employment checks, and cigarette sales. In addition, the exchange did not have adequate controls over its financial data and reports. As a result, the exchange could not be assured merchandise inventory, cash, and personal property totaling \$785,672 were safeguarded against loss, theft, and misuse; operations were conducted consistent with Coast Guard procedures and regulations; financial statements were accurate; and accounting records were adequately safeguarded against unauthorized use and loss.

Coast Guard Academy - The exchange did not establish adequate controls for prompt resolution of audit report deficiencies and maintain proper accountability and physical security over cash and personal property, which enabled an employee to embezzle over \$30,000 in exchange funds. In addition, the exchange did not comply with Coast Guard requirements for using appropriated funds, controlling procurements, verifying concession sales, and issuing financial reports. As a result, the exchange did not have adequate assurance timely and effective corrective actions were taken to resolve audit deficiencies;

assets were properly safeguarded against loss, theft, or misuse; and operations were conducted in a manner to ensure the efficient and proper use of exchange resources.

North Coast Region - The exchange did not maintain adequate control over personal property, establish proper accountability over cash collected from vending operations and returned checks, and fully comply with prescribed contracting procedures. As a result, the exchange could not be assured \$912,000 in exchange assets were properly safeguarded, cash collections were properly accounted for, and collection action for dishonored checks was effective. In addition, approximately \$156,000 in appropriated funds were improperly used to purchase equipment for the exchange.

Station St. Petersburg - Internal controls implemented by the exchange were not adequate to maintain accountability and physical security over merchandise inventory, cash, and computerized data. In addition, the exchange accumulated \$865,732 of excess inventory. As a result of internal control weaknesses, the exchange could not account for \$177,590 of merchandise during a 6-month period. Further, the exchange was subject to an increased risk of loss associated with \$15,000 of cash in the central cashier's fund, \$24,000 in daily cash receipts, and access to computerized financial transactions. Exchange costs also increased by \$181,814 annually because of excessive inventory investments.

Air Station Borinquen - The exchange's system of internal controls did not meet internal control standards for documentation, separation of duties, supervision, and access and accountability for resources. As a result, \$5 million in cost of goods sold, \$7 million in sales, and \$1 million in ending inventory reported in the exchange's financial statements could not be certified as fairly representing the financial position of the exchange. In addition, losses of inventory were unknown and financial subsidies provided by appropriated funds were not disclosed.

Base Honolulu - Financial operating procedures and practices were generally satisfactory. However, improvements were needed in controls over cash receipts, concession income, payments, and other assets. As a result, the exchange did not have assurance all assets were properly protected or monitored.

Support Center New York - The exchange did not take effective corrective action on major accounting and internal control problems identified in prior audits or have required annual audits performed each

year. In addition, the exchange did not maintain proper accountability and physical security over cash, personal property, and retail merchandise; and comply with Coast Guard regulations for nonappropriated fund procurements or contracting with former employees. As a result, serious deficiencies remained uncorrected for 6 years; \$121,627 in cash and personal property assets were not adequately protected against loss, theft, and misuse; an unexplained merchandise shortage of \$79,943 occurred at one exchange store; and the exchange did not have assurance purchases were proper.

NAVY'S RESOURCES AND TRAINING SYSTEM

Mr. CARR. Your report indicated that the Coast Guard should discontinue daily reports of vessels under 200 feet to the Navy's Status of Resources and Training System (SORTS), since the data is not useful and is outdated. You estimated the Coast Guard could save \$100,000 annually if it stopped such reporting. Has the Coast Guard agreed to discontinue that report?

[The information follows:]

According to Coast Guard, SORTS reporting is a U.S. Navy requirement rather than a Coast Guard mandate. However, Coast Guard agreed to reevaluate the need for this reporting and discuss the issue with the U.S. Navy.

SHIP PARTS REQUIREMENTS AT CURTIS BAY

Mr. CARR. Please provide a summary of your report on ship parts requirements at Coast Guard Supply Center Curtis Bay, Maryland (R3-CG-3-006), state the Coast Guard's response to each recommendation, and indicate the resolution status of each item.

[The information follows:]

We found Supply Center Curtis Bay (SCCB) procurement decisions to replenish its ship parts inventory were not always based on valid and reasonable data. For 62 purchase and repair decisions totaling \$1.8 million, 7 decisions exceeded requirements by approximately \$369,000, and 3 decisions were less than requirements by approximately \$18,000. SCCB also needs to initiate actions to identify and reduce overstocked ship parts inventories. Of the \$61.1 million of SCCB inventory selected for review, approximately \$22.3 million was overstocked and potentially excess as of April 21, 1992.

OIG Recommendation

Ensure item managers adhere to EOQ model recommendation or provide sufficient documentation to support purchase of items when quantities vary from EOQ.

Coast Guard Response

In his September 27, 1993 response, the SCCB Commanding Officer stated an SCCB Instruction was issued on August 30, 1993 which requires approval by the Chief of the Inventory Management Section before an item manager can vary from the system calculated EOQ procurement amount. The recommendation is considered closed.

OIG Recommendation

Ensure item managers initiate action to repair parts only when necessary based on EOQ principles or reasonable justification.

Coast Guard Response

The Commanding Officer indicated the Branch Chief provided general direction to item managers to repair not ready for issue assets to aid in improving service to the fleet. The implementation of the new computer model should assist in ensuring this general direction is accurately followed. The recommendation is considered closed.

OIG Recommendation

Expedite testing and implementation of an effective and realistic EOQ inventory control model designed to make repair decisions.

Coast Guard Response

According to the Commanding Officer, the target date for the implementation of the new EOQ inventory model was scheduled for

February 28, 1994. This model will include an Economic Repair Quantity and Maximum Stock Level. The recommendation is considered closed.

OIG Recommendation

Establish controls to identify overstocked ship parts, establish economic retention levels, and sell or dispose of inventories which exceed the economic retention level. Give priority to those overstocked items identified in our audit.

Coast Guard Response

In his response, the SCCB Commanding Officer stated he has established a control system, to identify long supply parts, establish economic retention levels and sell or dispose of those inventories as appropriate. The system was published as an SCCB Instruction. The Instruction requires SCCB to conduct an annual long supply review to identify items for retention or disposal. The next review will be completed in April 1994 and will place emphasis on the items identified in our report. According to the Commanding Officer, it is his intent to manage the inventory to minimize long supply up front and take disposal action when necessary. The recommendation is considered closed.

OIG Recommendation

Revise the inventory model to include a method for calculating maximum stock levels. Once the model is fully developed, expedite its testing and implementation.

Coast Guard Response

The model was scheduled for implementation February 28, 1994 and will calculate maximum stock levels. The recommendation is considered closed.

OIG Recommendation

Eliminate the off-base commercial warehouse space if sufficient warehouse space is cleared through inventory reduction actions.

Coast Guard Response

According to the Commanding Officer, off-base commercial warehouse space will be eliminated if inventory disposal clears sufficient warehouse space. The determination to move inventory will be based on a cost analysis of the transfer. The recommendation is considered closed.

CG'S INSPECTION AND CERTIFICATION OF COMMERCIAL VESSELS

Mr. CARR. Please provide a summary of your report on the Coast Guard's inspection and certification of commercial vessels (R6-CG-3-048), state the Coast Guard's response to each recommendation, and indicate the resolution status of each item.

[The information follows:]

This audit identified two findings. First, 23 of 120 commercial vessels in our sample operated without required inspections. This occurred because vessel owners did not comply with regulatory requirements, and Coast Guard did not take enforcement action or assess meaningful penalties when vessels were eventually inspected.

Second, three of four Marine Safety Offices did not maintain information to show how they satisfied the requirement to inspect 10 percent of inspections made by the American Bureau of Shipping (ABS). Two Marine Safety Offices also did not maintain inspection records or oversight reports of ABS inspections.

Coast Guard agreed with the findings and recommendations. In response to the recommendations, Coast Guard issued Inspection Advisory 12-93 requiring inspectors to initiate inspections and investigations in instances where vessels appear to be operating with expired certificates. Coast Guard also required inspections to be entered on the Management Information System (MSIS) at the start of the inspection to assure the MSIS reflects current information. Regarding ABS inspection oversight, Coast Guard established the Maritime Regulation Implementation staff to study inspection oversight and delegation to ABS. The committee is developing a draft policy. Coast Guard also issued interim guidance to assure Marine Safety Offices keep current and complete records of all ABS oversight inspections. Actions taken and planned were reasonable and we consider all findings resolved.

COAST GUARD INSPECTION WORKLOAD

Mr. CARR. In particular, you found that Coast Guard directives require field units to conduct oversight inspections of 10 percent of the inspection workload handled by the American Bureau of Shipping (ABS). ABS conducts inspections under the Coast Guard's cognizance and certifies that such vessels meet the Coast Guard's construction standards. Your audit found that Coast Guard units could not show whether they had met the 10 percent requirement, and in some cases had no written reports of ABS oversight inspections or work lists. It would seem a fundamental management practice to schedule such inspections and keep records of them.

Why didn't this occur to the Coast Guard in these instances?

[The information follows:]

Local inspectors advised us their heavy workload precluded them from completing the required documentation. Although Coast Guard Headquarters provided Marine Safety Offices with specific guidance for documenting inspections, they were unaware inspections were not being documented. Employees from the Headquarters Office of Traveling Inspectors and Evaluation Staff periodically visited Marine Safety Offices to oversee Coast Guard inspections and review Marine Safety Office activities. These reviews were not made to ascertain whether Marine Safety Offices complied with the 10 percent ABS oversight requirement or adequately documented its inspections.

MARINE SAFETY OFFICES

Mr. CARR. How many Coast Guard units around the world have responsibilities in this area and where are they located?

[The information follows:]

At the time of our audit, 35 Marine Safety Offices had American Bureau of Shipping oversight responsibility. The Marine Safety Offices were at the following locations.

First District: Portland, ME; Boston, MA; Providence, RI; New York City, NY.

Second District: St. Louis, MO; Louisville, KY; Memphis, TN; Paducah, KY; Pittsburgh, PA.

Fifth District: Baltimore, MD; Norfolk, VA; Philadelphia, PA; Wilmington, NC.
 Seventh District: Miami, FL; Tampa, FL; Charleston, SC; Jacksonville, FL; Savannah, GA; San Juan, PR.
 Eighth District: Corpus Christi, TX; New Orleans, LA; Morgan City, LA; Mobile, AL; Port Arthur, TX.
 Ninth District: Buffalo, NY; Cleveland, OH; Duluth, MN; Toledo, OH.
 Eleventh District: San Diego, CA; San Francisco, CA; Los Angeles, CA.
 Thirteenth District: Portland, OR and Seattle, WA.
 Fourteenth District: Honolulu, HI.
 Seventeenth District: Juneau, AK.

COAST GUARD INSPECTION WEAKNESSES

Mr. CARR. The recent accident involving the fishing vessel "El Toro" brought to light glaring weaknesses in the Coast Guard's inspection of commercial vessels. Have you conducted any audits in this area, or do you have any planned?

[The information follows:]

We have audited Coast Guard's inspection and certification of commercial vessels. The fishing vessel "El Toro" was not included in the vessels we sampled. Since the "El Toro" incident, Coast Guard has taken several initiatives to strengthen its inspections of wooden vessels. Coast Guard has issued a safety alert requiring inspectors "to pull" a sample of fasteners for inspection, and to ride each vessel while operating in open waters. Coast Guard also hired a consultant to train inspectors on wooden vessels and to rewrite policy. Coast Guard anticipates the revised policy will be completed some time this summer.

COAST GUARD GOVERNMENT HOUSING PROGRAM

Mr. CARR. For many years your audits have revealed weaknesses in the Coast Guard's management of its government housing program. In a July 1993 audit, you found that an individual was improperly allowed to remain in government housing at Base Galveston, Texas. This wouldn't be so serious, except that the practice was allowed to continue for eight years. It came to your attention from a hot line tip.

Are there systemic problems in the Coast Guard's supervision of its housing program which allow such abuses to go on, unnoticed or unreported, for such long periods of time?

[The information follows:]

We are currently completing several audits on the Utilization of Bachelor Quarters. Generally, we have found Coast Guard needs to improve its oversight of the bachelor housing program. However, our audits did not find any significant problem with individuals improperly residing in government housing.

MOTOR LIFEBOAT PROGRAM

Mr. CARR. What is the status today of the Coast Guard's motor lifeboat program, and in particular, have all of the previous issues stemming from an earlier IG audit been resolved at this time?

[The information follows:]

The motor lifeboat program is currently in the full scale development phase. Between September 1993 and January 1994, five preproduction lifeboats were delivered to the U.S. Coast Guard (USCG). These five preproduction motor lifeboats have been assigned for operational test and evaluation (OT&E) to Cape May, New Jersey; Station Tillamook Bay, Oregon; Oregon Inlet, North Carolina; Umpqua River, Oregon; and Gloucester, Massachusetts. The OT&E will be performed for a year and is expected to be completed in January 1995. An interim report on OT&E will be issued after the first 6 months of testing.

The USCG's FY 1995 budget submission contains \$31 million for the MLB Program. The solicitation for the production contract is being developed. An acquisition plan on the production contract should be finalized in May 1994 for submission to

the Office of the Secretary of Transportation. The production contract when awarded will be for a base year and four options. The contract will be for a maximum quantity of 140 boats with base year requirements of 20 boats. If all 140 MLB's are obtained, approximately 40 will be offered for sale to foreign governments. In addition, future quantities of MLB's may be purchased to replace some of the existing 41 foot utility boats which are due for replacement in the near future.

During the prototype phase USCG satisfactorily resolved all design issues cited in our prior audit report with the exception of the self-righting capability and skeg design. These two issues are now resolved. Our concerns regarding the absence of an actual self-righting test by USCG have been resolved following the computerized stability testing performed by the U.S. Navy Surface Warfare Center. Also, concerns regarding the skeg for propeller protection were resolved by contractor modifications to the preproduction design. This change to the skeg design will be further evaluated during OT&E.

Mr. CARR. Are you in full agreement that the design of this vessel is satisfactory at this time?

Although all the design issues stemming from our previous audit have been resolved, we have initiated a follow-on audit of the MLB Program. The audit will focus on activities during OT&E and provide us the requisite information to conclude whether overall design of the motor lifeboat appears satisfactory.

[The information follows:]

POLAR ICEBREAKER RELIABILITY IMPROVEMENT PROJECT

Mr. CARR. In a May 1993 report, you noted a large unobligated balance in the Polar Icebreaker Reliability Improvement Project, and you recommended the Coast Guard adjust future budgets to reflect that balance. Does the fiscal year 1995 budget reflect such an assumption?

[The information follows:]

The Coast Guard adjusted its 1993 and 1994 budgets to reflect carryovers totaling \$4.7 million. The Coast Guard reduced its funding requirements for fiscal year 1993 and did not receive any of the project funds originally planned for fiscal year 1994. The Coast Guard's fiscal year 1995 budget restores the \$4.7 million carryover identified in our audit report. These funds are necessary for equipment installation that begins in 1995.

Mr. CARR. Has the Coast Guard now finalized and received approval from the Office of the Secretary on the acquisition plan for this project?

[The information follows:]

This project is considered normal maintenance and, as a result, the Office of the Secretary is not required to approve the acquisition plan. However, the Coast Guard provided the acquisition plan to the Office of the Secretary on August 10, 1993. Also, the Coast Guard is providing the Office of the Secretary with biannual project briefings and quarterly status reports.

AAS AUDIT

Mr. CARR. How many staff years are you estimating for AAS work during fiscal year 1994, and how many are assumed in your fiscal year 1995 budget?

[The information follows:]

During fiscal year 1994 we are estimating four staff years of audit effort, and in FY 1995 we are planning three staff years of audit effort.

It remains to be seen what will be needed in investigations.

FAA'S COMPENSATION CLAIMS/CASE MANAGEMENT SYSTEM

Mr. CARR. Last July, you issued a report questioning the FAA's proposed support contract for development and management of an

injury compensation claims and case management program. You said the FAA had not justified this system, at a proposed cost of \$4.8 million. Why did you believe this system to be unsupported?

[The information follows:]

FAA had not performed any analyses of their current Workers' Compensation Program to support their contention that a contractor would provide the most effective and efficient means of administering a claims and case management program. At that time, the OIG was performing a Departmentwide audit of DOT's Workers' Compensation Program, and we had indications that FAA was going forward with the proposed contract before identifying what problems it was having with their program and determining whether in-house initiatives would correct the problems. In addition, FAA did not conduct any cost benefit analyses to justify the proposed contract over their current inhouse Workers' Compensation Program. FAA's justification centered around their contention that it did not have the personnel resources to administer the program properly and therefore a contract was needed.

Mr. CARR. Did the FAA agree to suspend the procurement for this system?

[The information follows:]

FAA nonconcurred with our recommendation and stated it would, before the award of a contract, satisfy itself that a claims and case management contract is the most effective, efficient, and feasible alternative to performing this function in-house. FAA state that through the use of various simulations, models, and sampling of cases and claims, they would assess the ongoing effectiveness of the contract during the first 6 months and project workers's compensation cost reductions. The OIG accepted FAA's commitment to evaluate the costs and benefits of each phase before proceeding to the next contract phase or option. We requested FAA to provide us an estimated completion date for the cost benefit analysis to be performed prior to the exercise of the first option. FAA responded, despite their earlier commitment, that a cost benefit analysis could not be performed during the initial 6-month base contract period. We then met with FAA on several occasions to discuss our concerns. FAA agreed to revise the statement of work to include additional requirements for monitoring and evaluating the contractor's work. In addition, FAA agreed to conduct a cost benefit analysis within the first 12-18 months following the award of the contract and compare the results against some of the ongoing regional operations. We plan to review the cost benefit analysis before additional options are exercised. However, as of February 1994, FAA has not issued the contract.

INSTRUMENT LANDING SYSTEM REPLACEMENT PROGRAM

Mr. CARR. This time last year, you were conducting an audit of FAA's instrument landing system (ILS) replacement program. I notice the audit has not been issued yet. Could you comment on your findings and explain why this report is late?

[The information follows:]

We are currently preparing the final report on the Audit of the Instrument Landing System (ILS) Program. Federal Aviation Administration (FAA) for issuance in March 1994. We found that improvements could be made in planning and acquiring ILSs. Of 26 ILSs reviewed, 18 were in storage for extended periods of time, ranging from 6 to more than 18 months. Four of the ILSs delivered to one region would not be used until 4 or more years after delivery. Also, FAA's planned locations for ILSs did not fully consider recent acquisitions and capabilities of the runways. FAA needs to effectively coordinate its precision approach landing programs to ensure only needed equipment is acquired. Improved FAA management oversight and coordination with regional personnel would ensure effective use of ILS acquisition and storage funds. We identified over \$170,000 of commercial storage costs that could have been avoided and over \$2.3 million in acquisition costs that could have been used more effectively.

On February 9, 1994, FAA responded to our draft report of September 27, 1993. FAA agreed with the audit recommendations and has initiated or planned corrective action. FAA will improve deliveries of ILSs and use of ILSs in storage. FAA has already completed an assessment of runway sites planned for new category II/III ILSs and made changes in the delivery schedule.

We encountered delays in receiving FAA's response to our draft report. Rather than issuing the final report without FAA's comments, we elected to wait for their response so our final report would reflect the official FAA position. We have made it clear to the FAA Administrator and Deputy Administrator that in the future we will not delay audit responses to wait on FAA responses. We will issue without an FAA response. We also experienced delays in conducting the audit because audit team members were temporarily reassigned to higher priority requests from the Office of Management and Budget and the President's Council on Integrity and Efficiency. These included a review of civilian agency contracting procedures (SWAT Review) and the review of conflicts of interest on consulting contracts.

FAA'S GOVERNMENT HOUSING PROGRAM

Mr. CARR. You were also conducting a review of FAA's Government Housing Program. What are your preliminary findings?

[The information follows:]

We suspended our audit for about 6 months because of higher priority work, and resumed the audit in November 1993. Preliminary findings are the Alaskan Region based its housing requirements upon accurate assessments of current and future staffing needs and properly maintained existing housing. The region, however, has not evaluated all available alternatives to new housing construction for the 22 Alaska sites. We were told the region is making evaluations of the 22 sites. We have just initiated work to evaluate FAA's housing program in the Southern Region.

REAL TIME WEATHER PROCESSOR

Mr. CARR. Over half of the air traffic delays in this country are weather-related. Therefore, if AAS is to assist in the reduction of weather delays, it must be integrated with weather detection and display systems. The equipment designed to allow meteorologists to transmit weather data and advisories to controllers via the AAS is called the real time weather processor (RWP). In a recent audit, you found some problems with FAA's management of the RWP program. Would you tell us your findings?

[The information follows:]

FAA's procurement strategy for this project did not require an operational evaluation of the RWP prototype at a field location, as envisioned in the original central weather processor design. In our view, the utility of the RWP software products—developed at a cost of over \$112 million—needs to be proven before any major changes in project direction are approved. The RWP prototype demonstration we recommended would provide an opportunity for early use of the next-generation radar mosaics for enroute center traffic management and flow planning, while increasing the prospects for an immediate return on FAA's investment. However, the recent proposal to merge the meteorologist weather processor (MWP) and RWP programs would substantially delay an operational evaluation of the RWP software project as well because the operationally unproven RWP concepts are an integral part of the requirements for the proposed merged system. We also reported that FAA should include its self-identified RWP system development deficiencies in the corrective action followup element of the Federal Managers' Financial Integrity process.

Mr. CARR. Can we take any actions in the fiscal year 1995 budget process to improve this situation?

[The information follows:]

Funding for the proposed project merging MWP and RWP should be deferred pending a full explanation of FAA's rationale for what we view as a sudden departure from one significant system development project to pursue another. In our view, this explanation should be in the form of a straight-line, historical presentation which includes justification for each change in system development direction. In addition, the explanation should specifically address why proceeding with an RWP operational evaluation would not be appropriate before spending additional funds on a proposed merged system which embodies the operationally unproven RWP concept. FAA's February 18, 1994 response to our report (see attachment) does

not provide that information and therefore is not, in our view, acceptable for this purpose. Development of the ISSS weather display interface needed by AAS should continue to be funded. Since the MWP lease expires in January 1995, funding should be provided to recompile the MWP Phase 2 follow-on contract, as originally planned by FAA.



US Department
of Transportation
**Federal Aviation
Administration**

Memorandum

Subject **INFORMATION:** OIG Final Management Advisory
Memorandum on the Need for Operational
Evaluation of FAA's Real-Time Weather Processor

Date SEP 18 1994

From Administrator

Reply to
Attn of

To: Assistant Inspector General for Auditing

As requested by your December 14, 1993, memorandum, I have reviewed the subject Office of Inspector General (OIG) final management advisory memorandum. My comments are provided in the attachment.

I nonconcur with the seven recommendations contained in the management advisory. Justification for my position is provided in the attachment.

I appreciate the opportunity to comment on your final management advisory memorandum.

David R. Hinson

Attachment

Federal Aviation Administration (FAA) Position on
Recommendations Contained in the Office of Inspector
General (OIG) Final Management Advisory Memorandum
on the Need for Operational Evaluation of the FAA's
Real-Time Weather Processor (RWP)

AUDIT REPORT FINDINGS:

**OBSERVATION 1: FAA Can Realize Immediate Benefits From Using One of the
RWP Prototypes in an Operational Demonstration in Support of FAA's Air
Traffic Management and Flow Control Mission**

A September 10, 1990, memorandum from the Executive Director for Acquisition and Safety Oversight indicated the FAA Administrator's desire to have a satisfactory operational test of the RWP prototype conducted prior to any production award. However, FAA's RWP procurement strategy did not require an operational evaluation of the RWP prototype at a field location as envisioned in the original Central Weather Processor (CWP) design. Further, recently proposed changes to merge the Meteorologist Weather Processor (MWP) and the RWP programs would substantially delay any effort to conduct an operational evaluation of the RWP software functionality.

**OBSERVATION 2: FAA Could Effectively Use the Federal Managers'
Financial Integrity Act (FMFIA) Process in Correcting RWP System
Development Deficiencies**

FAA has not taken advantage of its internal control review and reporting process under the FMFIA to ensure the correction of material internal control weaknesses the agency identified in its RWP system development approach.

FAA's RWP review team identified several significant deficiencies. Specifically, FAA developed its prototype RWP system without:

- (1) ensuring user requirements were current, valid, and complete or
- (2) evaluating the system in an operational environment. The review team considered these deficiencies to be significant enough to justify making formal recommendations for correcting them and the FAA Administrator considered them significant enough to justify issuing specific directives in October 1991 calling for implementation of the review team's recommendations.

Although FAA considered these deficiencies significant, it did not report them as a separate internal control weakness in its FMFIA reports to the Secretary for 1991 or 1992. Consequently, neither weakness was included in the Department's FMFIA reports to the President and Congress for 1991 or 1992.

In OIG's opinion, these two RWP system development deficiencies meet three of the Office of Management and Budget (OMB) criteria presented in DOT Order 5100.4B, Department of Transportation Management Control Systems, for reporting internal control weaknesses to the President and Congress in conjunction with the requirements of OMB Circular A-123, Internal Control Systems, and Section 2 of the FMFIA.

1. These weaknesses merit the attention of the agency head/senior management, the Executive Office of the President, or the relevant congressional oversight committee. This is particularly true given the past criticism FAA has received from the General Accounting Office regarding its major acquisition procedures and especially those associated with the Capital Investment Plan projects.

2. These deficiencies risk (or have resulted in) the actual loss of either \$10 million or 5 percent of the resources of a budget line item.

3. The existence of these deficiencies would reflect adversely on the credibility of the agency when subsequently made public.

FAA Comments of an Editorial/Clarification Nature: The last sentence of Exhibit B states "Depending on the project concepts ultimately adopted, FAA estimated Aviation Weather Products Generator (AWPG) could cost between \$95 to \$236 million and not be completed until the year 2007." While the last phase of the AWPG project is not expected to be completed until the year 2007, it is intended the AWPG functions will be implemented into the National Airspace System (NAS) subsystems in four phases beginning in 1996. The second phase of the AWPG project is to modify the RWP, or combined RWP/MWP, and the Advanced Automation System (AAS) to incorporate AWPG functionality in 1998.

The Weather and Radar Processor (WARP) program will fulfill the operational requirements of the combined MWP and RWP. Since the current MWP has been operational for numerous years, users have been able to evolve the MWP operational requirements to more exactly satisfy their

operational needs and evolving technology. Although the WARP requirements are a combined MWP/RWP set of operational requirements, they do not match one-to-one the 15 year-old original CWP requirements as stated in the audit report.

In the initial phases of the WARP concept, there was concern that combining the RWP and MWP could result in schedule delays and risks as the audit report states. This has proven to be false as a matrix team of FAA personnel has worked closely together in the development of the necessary procurement material (i.e., system functional descriptions, specifications, statement of work, and the request for proposal package). The schedule has been adhered to and the necessary procurement materials are close to completion.

Both technology and commercial capabilities have evolved significantly during the RWP development. Most of the capabilities provided by the RWP are now available in the commercial sector. FAA expects project costs to decrease rather than escalate, as the audit report states, if the RWP software is not used by the contractor.

Central Flow Control is referenced throughout the report. The correct title is the Air Traffic Control System Command Center (ATCSCC).

General FAA Comments: FAA does not believe the development of essential NAS safety-related capabilities must be delayed until after a large scale operational evaluation is undertaken. The audit report recommendations are based upon an acquisition strategy that was reexamined and changed, as further explained in the following background section, and include misunderstandings regarding the role of RWP in the overall NAS Weather System.

Further, it is not clear how implementing the recommendations in this report could have significant cost avoidance. The direction of the program has changed with the FAA Acquisition Review Committee's approval of WARP. The recent addition of WSR-88D information into the MWP gives the Traffic Management Unit (TMU) personnel access to next-generation radar mosaics. The \$143 million projected life-cycle costs of the WARP program include only \$29.8 million or 21 percent in development costs. That is less than half of the 43 percent of projected development costs in the original RWP cost of \$256 million.

The primary benefit of the RWP will be to mosaic next-generation weather radar (known as NEXRAD or WSR-88D) individual stations and display that information on the air traffic controller's scope for tactical use. Testing of the prototype with air traffic management and flow control personnel for strategic planning will not test the utility of products for en route air traffic controllers. Mosaicked WSR-88D products for strategic planning are now available through the MWP. Since private vendors already provide weather radar mosaics, it is not clear how the "FAA could leverage its investment in RWP" by providing that service.

Background Information

Revision of Acquisition Strategy: FAA has examined the feasibility of merging the RWP program with the next generation MWP program and has decided to: (1) take advantage of commercial off-the-shelf systems that can satisfy the needs of both programs, resulting in earlier implementation; (2) resolve the issues associated with two systems in the FAA's Center Weather Service Unit; and (3) simplify the procurement process by initiating one instead of two procurements. Many of the audit recommendations are no longer applicable as a result of this decision to merge the two programs into the combined program known as WARP. A new schedule has been developed for this combined acquisition and many of the planned approaches for RWP testing and acquisition are being revised. The combined program is called the Weather and Radar Processor (WARP) program.

This approach will provide the operational benefits to the air traffic controllers substantially sooner than would have been realized with the RWP approach. RWP benefits would not have been realized until after deployment of the AAS. Further, the WARP development has been structured so that benefits for the air traffic controllers will be realized in the early stages of the Initial Sector Suite System (ISSS) deployment.

Commitment to Air Traffic Controller's Use of NEXRAD Information: Air Traffic identified an urgent need to get NEXRAD information to the air traffic controllers. The majority of deficiencies cited against RWP were actually problems with NEXRAD timeliness or AAS Common Console implementation which were beyond the control of the RWP or the CWP programs.

FAA has made a commitment to leverage its investment in NEXRAD, also referred to as WSR-88D. This commitment includes using NEXRAD information rather than the Air Route Surveillance Radar (ARSR) weather information once NEXRAD is available on en route controller displays. Operational analyses by both the FAA's Federally Funded Research and Development Center (i.e., the Mitre Corporation) and the National Center for Atmospheric Research have shown that information provided by NEXRAD is superior in the operational environment to the current weather information provided by ARSR.

Additionally, some FAA operational positions currently receive their weather information from National Weather Service (NWS) weather radars rather than surveillance radars. These operational positions will be required to use the NEXRAD information since NWS is decommissioning its radars as soon as the superior NEXRAD radar becomes available. Thus, these operational users have requested that NEXRAD information be implemented on the Common Console display as soon as possible without awaiting availability of the Area Control Computer Complex interface. This has also impacted the acquisition approach OIG used as a basis for the report recommendations.

Provision of NEXRAD Products to ATCSCC and TMU's: The RWP's primary function was to provide mosaic NEXRAD information on the Common Console for the en route controller at the Air Route Traffic Control Center (ARTCC). RWP was never intended to provide this information to ATCSCC or Traffic Management personnel, as stated in the audit report. ATCSCC requirements for radar data are very different from the requirements of ARTCC personnel. ATCSCC performs long-term strategic planning while the ARTCC personnel perform short- to medium-term planning. ATCSCC needs national scale data at a low resolution (10 to 20 nautical miles) in time scales of 10 to 15 minutes, whereas the ARTCC personnel need high resolution, real-time data. RWP was never intended to be located in ATCSCC. Therefore, it was not designed nor is it capable of meeting ATCSCC requirements because the RWP cannot produce national scale products. Additionally, the inclusion of NEXRAD data at multiple altitude layers, as provided by RWP, does not enhance the ATCSCC mission which is currently being met by MWP and the other private sector systems that provide national scale products. The new acquisition approach will continue to meet the needs of ATCSCC. An RWP evaluation at ATCSCC would be of no operational value since it would not provide the information needed for operational use.

As with the ATCSCC, the RWP was never intended for operational use within TMU's. Similarly an operational evaluation at the TMU's would be of no operational value since it would not provide the information needed for operational use.

NEXRAD information will be provided to the ATCSCC and Traffic Management personnel by the current MWP. FAA is in the process of assuring these users will receive the NEXRAD information as soon as each becomes operational.

Relationship of RWP to the AWPG Project: When the combined MWP/RWP acquisition strategy is approved by the Transportation Systems Acquisition Review Council (TSARC), this new subsystem will be specified to include a Pre-Planned Product Improvement to add AWPG functionality in the year 1998. It is anticipated this will be provided by a software change, as stated in the TSARC approved AWPG Acquisition Plan.

Recommendation 1: Ensure FAA conducts an operational demonstration of the RWP prototype capabilities for meeting air traffic management and flow control planning needs at the Kansas City en route center.

FAA Response: Nonconcur. We do not believe the proposed operational evaluation and other associated activities at the Kansas City, Kansas, en route center should take place. Neither the existing hardware nor software will be used in the new system. The proposed Kansas City evaluation for meeting air traffic management and flow control planning needs would not provide any value based on the new program direction. The common console will not be available until late 1996. The ISSS will not be able to accommodate NEXRAD products until late 1997. Thus, the WARP approach is targeting late 1997 for deployment and operational use of NEXRAD data on the common console via the ISSS interface. This interface is being expedited in response to Air Traffic's request for NEXRAD data to be displayed on the air traffic controller's screen as soon as possible. Driving this requirement is the knowledge that current ARSR weather data are of poor quality and the upkeep cost of ARSR is very high. Most ARSR's will be decommissioned when the NEXRAD data are available to the air traffic controllers.

Additionally, the initial set of NEXRAD products (i.e., reflectivity) that will be available to air traffic controllers is not expected to have a negative operational impact because the only operational difference will be a more accurate depiction of the same type of weather

information they are currently using. The NEXRAD products will be tested as part of the ISSS operational evaluation in early 1997 in accordance with FAA Order 1810.1F, Acquisition Policy.

FAA is currently arranging access to three NEXRAD's in Pennsylvania, which recently became operational, for the purpose of interfacing to the 90P prototype at the FAA's Federally Funded Research and Development Center. These NEXRAD interfaces together with the interface to the Sterling, Virginia NEXRAD already in place will provide FAA a real-time NEXRAD mosaic for the first time. Additionally, if access is available to one of the pre-production common consoles now in use at the IBM/Loral Development Demonstration Facility, this real-time NEXRAD mosaic can be merged with the recorded operational traffic data for demonstration purposes.

It is important to note that the NEXRAD weather data provided to the common console via the RWP/WARP interface will look exactly identical to what has been provided by the ARSR weather data. Therefore, there will be no visual differences evident to the air traffic controller for evaluation purposes. Of course, the weather data made available by NEXRAD will be of much higher accuracy.

Recommendation 2: Designate the RWP prototype 90P hardware and TMU common console hardware configuration and related software for use in the operational demonstration.

FAA Response: Nonconcur. The 90P is not representative of any deployable system. The new WARP acquisition approach makes testing of the RWP hardware and software in an operational setting unnecessary because the implemented system will be using commercial off-the-shelf hardware and software. The RWP software will be provided as Government furnished information to help the contractor, but the hardware has been overtaken by computer technology advancement.

Since the RWP as it exists today will never be used in an operational environment, none of the RWP prototype deficiencies need to be corrected and no further RWP development will be performed. Testing documentation was minimized because, at the direction of the FAA Administrator, the program was to be put on the shelf and only used as information. However, "lessons learned" from the previous RWP testing and the current MWP system, as well as the list of deficiencies, are being addressed in the new combined system. If it is determined that user suitability

tests of the NEXRAD/AWPG products are needed prior to the ISSS timeframe, they could be conducted when the products are available using the Common Console and the 90P RWP prototype. As a point of correction, the 90P RWP prototype is not located at an independent contractor, as stated in the management advisory memorandum. The 90P system is in operation at the FAA's Federally Funded Research and Development Center and another older version, the P system, is in operation at the National Center for Atmospheric Research for the purpose of performing the NAS systems requirements analysis. These prototype systems do not receive aircraft and controller mapping data and therefore cannot display or give controller positional information.

Recommendation 3: Require acquisition/development of an appropriate TMU common console interface to integrate the display of next-generation radar data and corresponding aircraft position data, with acquisition/development to be completed prior to conducting the operational evaluation.

FAA Response: Nonconcur. Refer to FAA response to recommendation 1.

Recommendation 4: Include air traffic management and flow control personnel, meteorologists, and en route controllers as members of the evaluation team that will review the operational capabilities of the RWP prototype.

FAA Response: Nonconcur. The personnel suggested will, at the appropriate time, become part of the WARP evaluation team. Any further evaluation of the prototype would serve no purpose.

Recommendation 5: Direct RWP evaluation team members to identify test criteria and prepare a formal evaluation plan.

FAA Response: Nonconcur. Refer to FAA response to recommendation 4. The WARP system will be fully tested in accordance with FAA Orders 1810.1F and 1810.4B, FAA NAS Test and Evaluation Policy.

Recommendation 6: Prohibit further prototype development (i.e., additional hardware acquisition or application software development), other than what may be needed to implement recommendation 3 above, until after the operational evaluation of the current RWP prototype has been successfully completed.

FAA Response: Nonconcur. Development must continue for WARP to meet our window of opportunity with ISSS. FAA has surveyed industry to identify which weather functions are commercially available (e.g., commercial off-the-shelf vendors already have mosaic radar displays). The draft WARP specification has been written and includes some development beyond the commercial capabilities needed to meet Air Traffic requirements. Other development will be required to incorporate the commercial capabilities into a system to meet Air Traffic requirements and updates to other interfacing FAA systems which were changed during the time RWP was put on hold.

Recommendation 7: Require (a) development of specific plans for correcting the RWP system development deficiencies and (b) addition of these plans to the corrective action items already recorded in the Department's Milestone Action Plan System for the major systems acquisition weakness FAA previously reported under the FMFIA process.

FAA Response: Nonconcur. Refer to FAA response to recommendation 2.

WEATHER AND RADAR PROCESSOR

Mr. CARR. If I understand it right, the FAA in 1986 divided its central weather processor project (CWP) into two smaller projects called RWP and MWP. Now they want to combine the two programs back together into a new program they call WARP ("weather and radar processor"). Meanwhile, actual progress on RWP has been suspended for several years while they continually replan how weather development programs are to be packaged and presented. It would appear that, in eight years, they have done little more than split one program into two, renamed it, and now combined it back into one. However, they haven't come close to fielding anything.

Would you agree that there has been more planning than action here?

[The information follows:]

In our view, this observation is accurate for FAA's RWP development activities, but is less applicable to MWP. In July 1987, FAA divided the CWP project into two independent subsystems. Since then, FAA has engaged in system development work costing more than \$112 million for the RWP subsystem, but produce only an untested prototype which may be abandoned if the RWP and MWP requirements are merged. Furthermore, pursuit of the WARP project would delay the RWP proof-of-concept evaluation for an additional two years while introducing substantial additional costs and risks. On the other hand, the MWP project resulted in commercially available software which has been successfully fielded and provides weather data processor and display functions to meteorologists at FAA's central flow control and its enroute centers.

FAA'S EXPANDED EAST COAST PLAN

Mr. CARR. What is the objective of your review of FAA's Expanded East Coast Plan, and what are you finding in that audit?

[The information follows:]

The objective of our review of the FAA's Expanded East Coast Plan (EECP) is to respond to questions and issues raised by New Jersey citizens affected by air traffic route changes around Newark International Airport. The review was in response to a congressional request from six members of Congress—Bob Franks, Marge Roukema, Dick Zimmer, Susan Molinari, Frank Pallone, Jr., and Dean Gallo.

The EECP, implemented by FAA in 1987, revised air traffic routes in the New Jersey-New York area to reduce arrival and departure delays. From the citizens' letters we received, we extracted 49 questions/issues and categorized them into 6 issue areas: the Environmental Impact Statement (EIS) process; the EECP objectives; HUSH 1 and SID 3; noise measurement; operational changes; and miscellaneous topics.

Our findings are in the form of answers and other information addressing the citizens' specific questions. Since FAA has not yet issued the final EIS or the Record of Decision, any further review and comment at this point is premature.

AIRPORT AND AIRWAY TRUST FUND AUDIT

Mr. CARR. On July 15, 1993, your office issued its audited financial statement of the airport and airway trust fund. How much did it cost to conduct the audit and publish this 126-page report, and what specific management improvements or financial savings resulted from that work?

[The information follows:]

The costs to audit the Airport and Airway Trust Fund portion of FAA's fiscal year 1992 financial statement and to perform preliminary work for planning our audit of the fiscal year 1993 financial statement for this fund totaled \$457,520. The OIG made a total of 25 recommendations in our report on the audit of FAA's fiscal year 1992 financial statement. FAA management agreed with, and has either taken or

promised responsive corrective action on, 22 of the recommendations. The other three recommendations, which remain unresolved, involved a segregation of duties problem and is being referred to the Department's audit resolution process. FAA (i) agreed to provide employees with training on how to properly record fund usage and correct transactions posted incorrectly, (ii) agreed, and has initiated efforts, to accelerate and coordinate Headquarters and regional recording of nationally procured items, (iii) agreed to work with OST to correct DAFIS processing of prior period adjustment transactions, (iv) changed its practice of reporting capital investments on the financial statements, (v) began working with OST to develop automatic reconciliation between subsidiary ledger and general ledger balances in DAFIS, (vi) agreed to control fund usage in expired appropriation accounts, (vii) began exploring opportunities for consolidating the two Research, Engineering & Development financial management systems, and (viii) agreed to ensure proper recording of interest and penalties for late payments in compliance with Prompt Payment Act Requirements.

Although these audit recommendations cannot be directly associated with any cost savings, they should, when fully implemented, (i) improve FAA's general and financial management practices, (ii) improve FAA's systems of financial and administrative controls to assure the issuance of reliable financial information and to deter fraud, waste, and abuse of resources, and (iii) provide FAA the ability to produce complete, reliable, timely, and consistent financial information. For these reasons, implementation of the recommendations will help FAA achieve the intent of the CFO Act.

Mr. CARR. Are there any serious problems in the management or financial structure of the trust fund that we should be concerned about?

[The information follows:]

Our audit of the Airport and Airway Trust Fund portion of FAA's fiscal year 1992 financial statement identified two new material nonconformances which the agency reported in DOT's 1993 FMFIA Report to the President and Congress. One nonconformance involved three related issues: (i) inconsistent processing of fund usage transactions, (ii) an unconfirmed balance of yearend purchase-in-transit inventory resulting from DAFIS input inconsistencies, and (iii) the inability of DAFIS to track prior period adjustments (for proprietary accounting) separately from current year operations. The other nonconformance dealt with the inability of DAFIS to validate subsidiary ledger support for general ledger account balances. Correcting these two material nonconformances should enable FAA to produce more accurate financial information on fund usage, inventory availability, and prior period adjustments, as well as provide better subsidiary ledger support for general ledger account balances.

NOISE AT SEA-TAC INTERNATIONAL AIRPORT

Mr. CARR. Please provide a summary of your report on new development noncompatible with airport noise at Seattle's Sea-Tac International Airport, state the FAA's response to each recommendation, and indicate the resolution status of each item.

[The information follows:]

We concluded FAA monitoring of the sponsor's Airport Noise Compatibility Program (ANCP) provided reasonable assurance of compliance with Federal noise regulations. We found the sponsor's ANCP included suitable land use compatibility measures and the sponsor had made viable efforts to implement the ANCP. Although land use compatibility measures were proposed in the ANCP, the measures initiated to date were not effective in precluding new noncompatible development in nonsponsored municipal jurisdictions. Likewise, the proposed land use measures were not effective in securing the incorporation of noise attenuation measures in the building codes of all nonsponsor jurisdictions. Audit of building permits disclosed 725 single-family houses, 40 multi-family complexes (2,870 residential units), 83 manufactured homes, 1 school, 1 community center, and 1 daycare facility have been constructed within the noise impacted area since the FAA accepted the sponsor's Noise Exposure Map. In addition, we found 1,186 acres of vacant land zones for residential development. This uncontrolled nonconforming development and noncompatibly zoned land could result in the sponsor requesting an estimated \$15.9 million of Federal funds to provide future noise mitigation remedies.

Sponsor and FAA actions taken after issuance of the draft report satisfied the intent of all three recommendations. Supplemental discussion with FAA and sponsor personnel disclosed that on November 4, 1993, the sponsor submitted a revised ANCP. In the ANCP revision, the sponsor proposed actions to (1) exclude sound treatment measures for noncompatible development constructed after September 1987, (2) incorporate this exclusionary policy in its revised ANCP and (3) commit to reviewing and updating Noise Exposure Maps annually. However, the FAA did not agree with our estimate of \$15.9 million to provide future noise mitigation treatments. WE continue to maintain that our estimate is reasonable and appropriate. Based upon clarifying information, we expect that FAA will accept this estimate, but have allowed Recommendation 1 to remain open awaiting FAA's written response.

AVIATION ACCIDENTS CAUSED BY SUP'S

Mr. CARR. Please update the data on aviation accidents caused by suspected unapproved parts found on page 345 of last year's hearing record.

[The information follows:]

According to NTSB, since 1984 there have been 76 accidents in which bogus parts were involved. Of these, 14 accidents were termed by NTSB as having bogus parts as a "finding." Regarding fatalities, in January 1993 the NTSB ruled the crash of a single engine aircraft in Louisiana was caused, in part, by a bogus propeller pitch control cam. The crash killed the pilot. Also, in February 1993, the Aircraft Accident Investigation Board/Norway ruled that the crash of a chartered Convair aircraft in 1989 was caused by inferior pins (fasteners) and sleeves installed in the tail section of the plane. The crash killed all 55 persons aboard the aircraft. Just prior to the crash, the aircraft had been overhauled by a Canadian repair station allegedly using parts obtained from a Florida parts broker. A contributing factor to the crash was a non-standard auxiliary power unit front support.

AT&T FAA CONTRACT

Mr. CARR. On page 45 of the justifications, you refer to improprieties made by the AT&T Corporation regarding negotiation on an FAA contract. What is the FAA program referred to, and what is the estimated schedule for resolving the issue?

[The information follows:]

The program is a contract by the Telecommunications Management and Operations Division, FAA Headquarters, Washington, DC for the lease and maintenance of air traffic control systems at 21 FAA locations. The investigation was referred for civil prosecution on February 15, 1994. We anticipate resolution within the next 12 to 18 months.

Mr. CARR. How did you arrive at the statement that "the potential fraud on this contract is \$60 million?"

[The information follows:]

The potential fraud figure of \$60 million as determined by the Defense Contract Audit Agency is based on improper excess profits by AT&T of approximately \$8 million per year times the projected contract life of 8 years.

PERSONNEL REDUCTIONS IN FAA SAFETY FUNCTIONS

Mr. CARR. The President's plan to reduce the number of Federal employees is purported to exclude safety work forces. In oversight of safety programs such as suspected unapproved parts, nonsafety personnel are key components, since the FAA has traditionally regulated repair stations through its administrative process. Based on your review of the SUP problem, do you have concerns regarding possible personnel reductions in the oversight function?

[The information follows:]

We maintain open lines of communication with the FAA and the Department on the full range of issues facing us. We all agree that the effective utilization of available resources to ensure the safety of the traveling public will continue to be our highest priority. Often times, however, there is disagreement as to how best to accomplish this task.

For example, our recent audit of foreign and domestic repair stations revealed substantial numbers of parts of unknown origin, design or quality; parts repaired by subcontractors not approved by the FAA; and substitute parts not approved by the FAA. Despite the serious problems encountered in this area, the FAA does not consider that the weakness identified by this report were sufficiently material to be reported to the Secretary and the Congress. The same was true for many, many other FAA safety oversight recommendations made as a result of our audits. The FAA refused to acknowledge many weaknesses.

Mr. CARR. If so, have you communicated those concerns to the FAA and the Department? What was their response, and do you agree?

[The information follows:]

Ensuring that the Department's downsizing decisions do not adversely impact its safety oversight role is a major challenge. Given strict numerical goals for reducing resources, tough decisions need to be made as to where best to take the reductions. Clearly, a sound inspection process must be maintained. In many of our audits, we have found that better targeting of inspection resources is one way to provide better oversight with the same level of resources. For example, FAA routinely inspects repair stations, but as shown in our recent report, FAA does not do an adequate job. The same is true for aircraft inspection. Adding resources or monitoring at the same levels will not improve the inspection process. Our reports on safety oversight contain numerous recommendations that would improve oversight without increasing resource requirements.

1994 ADDITIONAL RESOURCES FOR AUDITS AND INVESTIGATIONS

Mr. CARR. In last year's conference action, appropriations conferees provided an additional \$1,021,000 for IG audit and investigative resources. Where were those increased resources utilized and why?

[The information follows:]

These funds were utilized in direct support of audits and investigations.

TRANSIT BENEFIT SUBSIDY PROGRAM

Mr. CARR. Please explain how you arrived at the fiscal year 1995 budget request of \$115,000 for the transit benefit subsidy program. For example, please include the estimated number of participants, their locations, and the average subsidy per month.

[The information follows:]

The OIG arrived at the fiscal year 1995 budget request of \$115,000 for the Transit Benefit Subsidy Program by multiplying the number of participants by the average cost per employee. For fiscal year 1995, regional participation in the program was estimated to be approximately 81 employees and Headquarters participation was estimated to be 100 employees. The estimated number of participants for headquarters and regions were based on the fiscal year 1993 participation rate and location costs. We did not project any major variations in number of participants and costs for fiscal year 1995.

Location	Average number of participants	Average monthly cost per participant	Average annual cost per location
Headquarters	100	\$60	\$72,000
New York	15	49	8,800
Baltimore	10	40	4,800
Atlanta	2	40	960

Location	Average number of participants	Average monthly cost per participant	Average annual cost per location
Chicago	14	50	8,400
Ft. Worth	2	35	840
Kansas City	2	30	720
San Francisco	20	45	10,800
Seattle	16	40	7,680
Total	181		115,000

Mr. CARR. How many of your employees are currently enrolled in this program, and what are you budgeting for the program in fiscal year 1994?

[The information follows:]

There are currently 216 employees enrolled in the Transit Benefit Subsidy Program. Although the number of participants is 216, the OIG estimates that the average number of participants will be 181 employees. The reduction in the monthly participant rate occurs because: (i) all employees do not receive the full subsidy; (ii) employees may elect not to take advantage of their monthly transit subsidies; and (iii) Office of Inspector General regulations state that employees on travel, annual leave or sick leave for at least 2 weeks in a month are not entitled to receive their monthly subsidy. Therefore, the Office of Inspector General is budgeting \$115,000 for the fiscal year 1994 Transit Benefit Subsidy.

Mr. CARR. How many of your employees participated in this program in fiscal year 1993?

[The information follows:]

In fiscal year 1993, the average number of OIG employees who participated in the Transit Benefit Subsidy Programs was 170.

LOCALITY PAY

Mr. CARR. You are requesting \$219,000 above the fiscal year 1994 base for locality pay. What is the total amount budgeted in fiscal year 1995 for locality pay, and how does that figure compare to fiscal year 1994?

[The information follows:]

The total cost estimate for locality pay was \$810,000. This amount also included funding for the benefits associated with the locality pay increases. Of the \$810,000, \$591,000 will be expended in fiscal year 1994 and the additional \$219,000 is expected to be needed in fiscal year 1995.

Mr. CARR. How did you fund the locality pay increases for fiscal year 1994? What impact did they have on the OIG's operations, and what impact do you estimate for fiscal year 1995?

[The information follows:]

The locality pay increases were funded with resources identified in the Office of Inspector General's operating fund.

Mr. CARR. Please provide a chart which provides data on locality pay for each of fiscal years 1994 and 1995. The data should include the number of employees by location, the percentage increase approved for each location, and the dollar impact.

[The information follows:]

The following number of employees were eligible for the January 1994 locality pay increases.

Location	Number of employees	Percent of increase	Impact fiscal year 1994	Impact fiscal year 1995
Washington, DC	169	4.23	\$367,300	\$136,110
Baltimore	22	4.23	36,340	13,460
New York	1	5.77	790	295
Atlanta	37	3.86	55,890	20,700
Chicago	30	5.34	64,930	24,050
Kansas City	20	3.30	26,770	9,920
Oklahoma City	3	3.34	4,775	1,770
Los Angeles	2	5.69	2,035	765
Sacramento	2	3.69	1,230	465
Seattle	19	3.92	30,940	11,465
Total number employees	305			
Impact of locality pay on personnel compensation and benefits for fiscal year 1994			591,000	
Impact of locality pay on personnel compensation and benefits for fiscal year 1995				219,000

The remaining employees were not eligible for locality pay or were already on special pay schedules.

HEALTH CARE COST INCREASES

Mr. CARR. What does your budget request assume regarding health care cost increases in the Federal Employee Health Care Program for fiscal year 1995, expressed as the composite average increase anticipated among all health plans under which your employees are covered?

[The information follows:]

Fiscal year 1995 health care cost increase assumptions are based on 60 percent of the average subscription charge of the highest level of benefits offered by: (1) the service benefit plan, (2) the indemnity benefit plan, (3) the two employee organization plans with the largest number of enrollments and (4) the two prepaid comprehensive medical plans with the largest number of enrollments. These contributions may not exceed 75 percent of the total enrollment costs of any individual plan. Our projected costs for fiscal year 1995 are based on an inflation factor of 3 percent of the 1994 premium share costs.

Mr. CARR. Did OMB or OST provide guidance regarding the indices or assumptions to be used in calculating estimated fiscal year 1995 health care costs for Federal employees?

[The information follows:]

The government's share of the cost of employee health care costs is set by law. OMB/OST provided data to allow us to compute our projected cost according to the formula required by 5 U.S.C. 8906.

Mr. CARR. What rate of increase did you budget for in fiscal year 1994, and how does that compare to actual increases as reflected in the most recent health benefits open season?

[The information follows:]

The rate of increase budgeted for health benefits open season in fiscal year 1994 was 5 percent. In the most recent health benefits open season for fiscal year 1994, actual costs increased by 3 percent.

TRAINING

Mr. CARR. Two years ago, you were running a training program which required 33,100 hours of training, the equivalent of 4,100

shift days of audit and investigative work. This committee has encouraged you to reduce that to the minimum amount required, in order to provide more resources for audits and investigations. What are the corresponding figures estimated for fiscal year 1995?

[The information follows:]

In fiscal year 1995, we anticipate investing in our employees by providing 18,160 hours of training opportunities utilizing 2,270 staff days.

MID-RANGE PROCESSOR UPGRADE

Mr. CARR. What is the status today of your mid-range processor upgrade?

[The information follows:]

The Office of Inspector General is currently developing and examining alternatives as part of the cost benefit analysis for the Mid-Range Computer upgrade. The two primary alternatives are upgrading the Mid-Range Processor to various capacity levels and/or moving some or all of the functions to the Local Area Network/Wide Area Network Processors. The decision on which alternative is used will be made during the third quarter of fiscal year 1994 and will allow the procurement of hardware and software resources to be completed by the end of fiscal year 1994. At the current time the upgrade project is on schedule.

AICIS PROJECT COSTS

Mr. CARR. Please update the charts found on page 480 of last year's hearing record concerning AICIS project costs.

[The information follows:]

TOTAL AICIS COSTS BY FISCAL YEAR

COST
(In Thousands of Dollars)

ITEM	<u>FY</u> <u>1994</u>	<u>FY</u> <u>1995</u>	<u>FY</u> <u>1996</u>	<u>FY</u> <u>1997</u>	<u>FY</u> <u>1998</u>
Hardware Purchases:					
Microcomputers	\$ 0	\$ 150	\$ 200	\$200	\$280
Local Area Networks	220	10	0	0	0
Mid-Range Computer Upgrades	<u>30</u>	<u>135</u>	<u>135</u>	<u>135</u>	<u>0</u>
Sub-Total	<u>\$250</u>	<u>\$295</u>	<u>\$335</u>	<u>\$335</u>	<u>\$280</u>
Software Purchases:					
Microcomputers	\$ 0	\$ 0	\$ 0	\$ 0	\$80
Local Area Networks	50	10	40	40	80
Mid-Range Computer Upgrades	<u>60</u>	<u>65</u>	<u>65</u>	<u>65</u>	<u>0</u>
Sub-Total	<u>\$110</u>	<u>\$75</u>	<u>\$105</u>	<u>\$105</u>	<u>\$160</u>
GRAND TOTAL	<u>\$360</u>	<u>\$370</u>	<u>\$440</u>	<u>\$440</u>	<u>\$440</u>

1995

Office of Inspector General Organizational	# of Micros	Cost of Micros	Other Costs As Shown	Total
Headquarters Offices	20	\$60,000		\$ 60,000
Mid-Range Computer Hardware Upgrades			\$135,000	135,000
Mid-Range Computer Software Upgrades			65,000	35,000
Field Offices	30	90,000		90,000
TOTAL	50	<u>\$150,000</u>	<u>\$200,000</u>	<u>\$350,000</u>

NET STAFFING REDUCTIONS

Mr. CARR. On page XV of the justifications, you show a net reduction of \$840,000 resulting from the staffing reductions, offset by career promotions and benefits. Please provide a chart breaking the net reduction into each of these cost elements.

[The information follows:]

The following chart shows the resources associated with reduction of 35 positions, career promotions and within grade requests, and the associated benefits increases.	
Staff Reductions	-\$1,291,600
Career Promotions and Within Grade Increases	295,000
Associated Benefits—Includes the benefit increases needed to support the FY 1995 pay raise and career promotions	156,600
Net Reductions	<u>\$840,000</u>

FUNDING TO RESTORE POSITIONS

Mr. CARR. If the President's February 10, 1992, initiative to reduce Federal employment was implemented in a consistent manner across all units of DOT, the OIG's fiscal year 1995 employment level would be 482. That is seven less than the enacted level for fiscal year 1994, but 28 more than your fiscal year 1995 budget proposal. How much funding would be needed to fund an additional 28 positions in fiscal year 1995?

[The information follows:]

The additional resources needed to fully fund the 28 positions reduced in the fiscal year 1995 budget process is \$1,177,500. If these positions are funded, the Office of Inspector General intends to hire career ladder employees.

Mr. CARR. If your office was provided the funding for these additional 28 positions, where would you allocate them, and what additional oversight would be provided? Please be as specific as possible.

[The information follows:]

All of the positions would be allocated to audit and investigative oversight. There would be no increase in administrative or support positions. The additional staff would be targeted toward review of major departmental issues, such as the major problem areas we have identified in the Department, including procurement, contracts, and grants oversight, safety and inspection oversight, logistics management, and those DOT programs receiving additional funding in fiscal year 1995. We would also apply the resources to reduce the backlog of our reactive investigations workload.

EMPLOYEE ATTRITION RATE

Mr. CARR. What was your employee attrition rate in fiscal year 1993, and what rate do you anticipate for fiscal years 1994 and 1995?

[The information follows:]

Our attrition rate in fiscal year 1993 was 8 percent and our current projections are for a 3 percent rate in fiscal years 1994 and 1995.

ADMINISTRATIVE STREAMLINING

Mr. CARR. The administration seeks to substantially reduce the Federal government's supervisor-to-employee ratio and to streamline administrative functions. How will this initiative affect the OIG?

[The information follows:]

The initiative to reduce our supervisory ratio and streamline administrative functions will impact OIG operations as follows: First, reducing the ratio of supervisors to employees will empower our non-supervisory employees, giving them increased authority, with a corresponding increase of accountability, over the work they produce. Second, the streamlining of administrative functions will be accomplished through increased delegation of administrative authority to components of the OIG, a process which we have already begun. This will result in regional managers and office directors being able to directly control a number of administrative functions regarding their immediate offices, subject only to headquarters oversight. We expect this decentralization process will free resources previously dedicated to administration, allowing us to devote additional resources to mission related program oversight areas.

SUPERVISOR-TO-EMPLOYEE RATIO

Mr. CARR. What is the OIG's current supervisor-to-employee ratio and what future targets is the OIG expected to achieve over the next five years?

[The information follows:]

Our current supervisory to employee ratio is approximately 4 to 1 which we plan to increase to approximately 10 to 1 by the end of fiscal year 1999.

ADMINISTRATIVE STREAMLINING PLANNED

Mr. CARR. What are your specific plans to streamline administrative functions within the OIG?

[The information follows:]

Overall, our goal is to continue to reduce administrative overhead and reallocate administrative positions to our three functional organizations (ie., Audits, Inspections and Evaluations, and Investigations). Some specific actions being undertaken include: (1) replacing the Assistant Inspector General for Policy, Planning, and Resources with a Director of Administration at a lower SES level; (2) eliminating the Deputy Assistant Inspector General for Policy, Planning, and Resources, an SES position; and (3) eliminating approximately 18 support/clerical staff positions within the OIG over the next two years. The Directorate of Administration will initially have a net reduction of 4 positions from the existing Office of the Assistant Inspector General for Policy, Planning, and Resources. Additional positions may be eliminated as further streamlining and consolidation occurs within this office as well as the entire OIG.

BUYOUT PLANS

Mr. CARR. If Congress approves buyout legislation, what are your buyout plans for fiscal year 1994? Specifically, what positions are you targeting for buyouts and why?

[The information follows:]

Subject to receiving buyout authority in sufficient time to make it cost effective to utilize, the OIG will target senior level managers and supervisors occupying auditor, management analyst, and administrative positions at grades 13 through SES in Washington, D.C. and Baltimore, MD. We will also target employees in offices scheduled for closure, and then others based on the earliest separation dates. Targeting these positions will assist us in achieving the supervisor to employee ratios recommended by the NPR.

NEW POSITIONS

Mr. CARR. Please provide a listing of any new positions created over the past year and their corresponding grade level(s), similar to the chart shown on page 475 of last year's hearing record.

[The information follows:]

IMMEDIATE OFFICE OF THE INSPECTOR GENERAL

Deputy Inspector General, ES-301 (Washington, D.C.).

Student Trainee, GS-399-04 (Washington, D.C.).

ASSISTANT INSPECTOR GENERAL FOR INSPECTIONS AND EVALUATIONS

Deputy Assistant Inspector General for Inspections & Evaluations, ES-343 (Washington, D.C.).

Management Analyst, GS-343-14, 2 positions established (Washington, D.C.).

Management Analyst, GM-343-13, 2 positions established (Washington, D.C.).

Management Analyst, GS-343-12, 3 positions established (Washington, D.C.).

Secretary, GS-318-08 (Washington, D.C.).

ASSISTANT INSPECTOR GENERAL FOR INVESTIGATIONS

Student Trainee, GS-1899-04 (New York City, N.Y.).

Criminal Investigator, GM-1811-15 (Washington, D.C.).

Criminal Investigator, GM-1811-14 (Washington, D.C.).

SES AWARDS/MERIT PAY

Mr. CARR. Please update the data on SES bonuses and awards and non-SES merit pay as shown on page 477 of last year's hearing record by providing data for fiscal years 1993 through 1995, and by adding data for the actual or estimated number of awards made.

[The information follows:]

Item	Number given/	Dollar amount
Fiscal year 1993: ¹		
SES bonuses	3	\$33,441
Performance awards:		
PMS	131	143,348
PMRS	80	159,776
Total	214	336,565
Fiscal year 1994: ²		
SES bonuses	2	15,224
Performance awards:		
PMS	127	100,132
PMRS	89	165,076
Total	218	280,432
Fiscal year 1995: ³		
SES bonuses	3	24,333
Performance awards	214	284,166
Total	217	308,499

¹ Awards paid in Fiscal Year 1993 for Fiscal Year 1992 performance.

² Awards paid in Fiscal Year 1994 for Fiscal Year 1993 performance.

³ Projected data based on average of Fiscal Year 1993 and Fiscal Year 1994 data.

Performance awards include PMS and PMRS sunset employees.

COLLEGE RECRUITMENT

Mr. CARR. Please update the data on college recruitment as shown on page 502 of last year's hearing record by providing data for fiscal year 1993.

[The information follows:]

	Number	Percent
Auditors:		
GS-5/7/9:		
Hires from college	6	55
Hires from the workforce	5	45

	Number	Percent
GS-11 and above:		
Hires from college	0	.....
Hires from the workforce	6	100
Criminal investigators:		
GS-5/7/9:		
Hires from college	0	.....
Hires from the workforce	0	.....
GS-11 and above:		
Hires from college	0	.....
Hires from the workforce	5	100

FIELD OFFICE ACTIVITY

Mr. CARR. Are any funds included in the fiscal year 1995 request for the establishment, relocation, or major renovation of any DOT IG field office?

[The information follows:]

The Office of Inspector General does not have any plans to establish, relocate, or renovate any field offices.

PERMANENT CHANGE OF STATION MOVES

Mr. CARR. You are requesting \$195,000 for permanent change of station (PCS) moves in fiscal year 1995, which is the same amount as budgeted for fiscal year 1994. How many moves are you assuming, and what is the average cost per move?

[The information follows:]

The Office of Inspector General is assuming two PCS during fiscal year 1995 with an average cost of \$97,500. Normally, only senior level managers are granted PCS moves. Therefore, their costs can be significant. The ability to move some employees may be crucial to effectuate our consolidation and downsize plans. We very much need this funding.

DCAA

Mr. CARR. On page 4, you are requesting \$3.4 million for DCAA audits in fiscal year 1995, which is the same level as provided in fiscal year 1994. In October 1992, an agreement was reached with DCAA that was to result in an elimination of the backlog in cost and closeout audits by the end of fiscal year 1993. Has the backlog been eliminated? If not, why not, and what is the schedule for elimination?

[The information follows:]

While the backlog has not been totally eliminated, the Office of Inspector General, through coordinated efforts with DCAA, continues to make progress in reducing it. At September 30, 1992, the number of open requests for incurred cost audits totaled 409, but at September 30, 1993, the total had declined to 301—consisting of 141 received in FY 1992 and prior years and 160 received in FY 1993. More recent efforts have shown additional progress. As of January 31, 1994, we had a total of 283 open requests—consisting of 114 received in FY 1992 and prior years, 108 received in FY 1993, and 61 received in FY 1994.

For FY 1993, DCAA estimated 34,407 hours would be needed to get the incurred cost audits current through FY 1992. Our reimbursable agreement with DCAA for FY 1993, signed in October 1992, included those estimated hours plus 7,583 additional hours to perform incurred cost audits received in FY 1993. However, DCAA had to use over 7,300 of these hours for increased proposal audit activity, which has always been our top priority. Further, although we reimbursed DCAA for 34,629 hours they spent on incurred cost audits, 20,000 (58 percent) of these hours were spent performing incurred cost audits we requested in FY 1993. Another factor contributing to the backlog not being fully eliminated has been the failure of contrac-

tors to provide DCAA timely and adequate incurred cost submissions, as required by the Federal Acquisition Regulations and the contract provisions. A contractor's annual incurred cost submission is a critical element of the close-out process.

DCAA has committed to reducing this backlog by the end of FY 1997 to the equivalent of one year's accumulation of open requests, and has established the completion of incurred cost audits as their number two audit priority—after proposal or preaward audits. However, DOT and DCAA need to work closely together to obtain adequate incurred cost submissions from the contractors. DCAA recently provided us a listing of DOT contractors from whom they have not received adequate submissions. In turn, we are coordinating with DOT Operating Administration procurement offices to assist in obtaining the overdue submissions.

Mr. CARR. How many DCAA hours will you be able to procure with the \$3.4 million budget request for fiscal year 1995, and how does that compare to the 61,284 hours estimated for fiscal year 1994 in last year's hearing?

[The information follows:]

We estimate the \$3.4 million requested will procure 58,419 contract audit hours, which represents a 5 percent reduction from the estimate we made last year for fiscal year 1994. This estimate was calculated by dividing the budget request of \$3.4 million by the estimated DCAA hourly rate of \$58.20.

Mr. CARR. Please update the DCAA cost comparison table found on page 483 of last year's hearing record.

[The information follows:]

	Fiscal year		
	1993 actual	1994 estimate	1995 estimate
DCAA billing rates	\$53.93	\$56.18	\$58.20
OIG cost per staff hour	42.50	45.05	47.30

¹ This is the actual rate included in the OIG's Memorandum of Understanding with DCAA.

DCAA HOURS BY MODE

Mr. CARR. Please update the breakdown of DCAA hours by mode, as shown on page 483 of last year's hearing record.

[The information follows:]

	Estimate 1994	Estimate 1995	Difference
SLSDC	—	—	—
FAA	42,941	35,051	-7,890
USCG	7,646	5,258	-2,388
MARAD	1,123	584	-539
OST	939	584	-355
Total decrease .....	.....	.....	-11,172
FHWA	1,472	1,753	+281
NHTSA	466	1,168	+702
RSPA	4,742	8,763	+4,021
FRA	463	2,921	+2,458
FTA	1,492	2,337	+845
Total increase .....	.....	.....	+8,307
Total budget	61,284	58,419	-2,865

INFORMATION TECHNOLOGY SPECIAL REVIEW

Mr. CARR. How much funding is included in the fiscal year 1995 request for the information technology special review detailed on page 19, and how does this compare to funding in fiscal year 1994? [The information follows:]

The topic which you refer to in our fiscal year 1995 budget statement, i.e., special reviews, does not address a single, special information technology review. That caption actually refers to a special functional area in which information technology audits are routinely performed by a specially trained staff of information systems auditors. We estimate funding in this area to be \$1,592,968 in fiscal year 1994 and \$1,278,992 in fiscal year 1995.

COST OF FINANCIAL STATEMENT AUDITS

Mr. CARR. On page 21, you state that you conducted three audits of financial statements during fiscal year 1993 (aviation and highway trust funds and MARAD title XI loan guarantees). We provided a limitation of \$1,000,000 during that year for such work. Can we conclude that each of these audits cost an average of \$333,000?

[The information follows:]

We spent a total of \$908,454 on auditing the three fiscal year 1992 financial statements and planning for the audits of the fiscal year 1993 financial statements. In terms of the three audits of fiscal year 1992 financial statements, this total equates to an average of \$302,818 per audit. However, the portion of total costs associated with each audit varied considerably, as shown in the chart below:

Aviation Trust Fund:

Personnel	\$436,520
Travel	20,000
Total	<u>456,520</u>

Highway Trust Fund:

Personnel	368,085
Travel	19,131
Total	<u>387,216</u>

MARAD title XI loan guarantees:

Personnel	64,718
Total audit and planning cost	908,454

Mr. CARR. Given an average FTE rate of about \$65,000, that would indicate an average of five staff years for each of these audits. Do you consider that a reasonable amount of time and resources to audit a financial statement?

[The information follows:]

In fiscal year 1993, our financial audit staff included a significant number of college graduates entering the Federal service at the bottom of the career ladder. This resulted in the average FTE rate for our financial auditors being \$51,740 instead of \$65,000. Using this lower rate to compute average staff years per audit produces an average of 5.6 staff years for each of the three audits we conducted in fiscal year 1993. However, we do not consider a straight average to be an accurate reflection of the time or resources needed to properly conduct a financial statement audit. The amount of time and resources required for a given financial statement audit depends on many factors, including the size and complexity of the program, the extensiveness and complexity of the systems of internal controls, the number of applicable laws and regulations requiring compliance, the extent to which accounting systems are automated, condition and availability of accounting records and supporting documents, amount of experience the audited entity has in preparing financial statements, and the particular audit scope decided upon. In our opinion, the time we actually spend on each of the three financial statements audits we conducted in fiscal

year 1993 (see chart below) was reasonable, given the nature of all these factors as they existed at the time of each audit.

Fund audited:		Staff years
Airport and Airway Trust Fund		8.4
Highway Trust Fund		7.1
MARAD title XI loan guarantee fund		1.3
Total		16.8

EXTERNAL QUALITY REVIEW

Mr. CARR. For the record, please provide a copy of the "Report on the External Quality Review of the Department of Transportation's Office of Inspector General's Audit Organization" conducted by HUD and dated September 29, 1993.

[The information follows:]

Following is a copy of the report.



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-4500

September 29, 1993

OFFICE OF INSPECTOR GENERAL

Honorable A. Mary Schiavo
Inspector General
Department of Transportation
400 7th Street S.W., Room 9210
Washington, DC 20590

Dear Ms. Schiavo:

Re: Report on the External Quality Review of the Department of Transportation's
Office of Inspector General's Audit Organization

We have reviewed the system of quality control of the audit operations of the Office of Inspector General, U.S. Department of Transportation (OIG), for the year ended March 31, 1993. Our review was conducted in accordance with the standards established by the President's Council on Integrity and Efficiency (PCIE). These standards are contained in the August 8, 1989 PCIE Policy Statement on Quality Control Reviews and the Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General, as well as the applicable supplement for Audit Planning. We conducted the review between June 7 and July 16, 1993.

Our review was performed in the Atlanta and Fort Worth Regions and in the OIG Headquarters. The objectives and scope of the review are described in the succeeding paragraphs. The review methods principally included: (1) completing and verifying PCIE questionnaire responses; (2) examining planning, quality assurance, training and corrective action documentation; (3) reviewing audit reports and related working papers; and (4) interviewing appropriate staff.

The objectives of the review were to determine whether: (1) the OIG's internal quality control system was adequate, in place and operating effectively, (2) established policies, procedures and applicable auditing standards were being followed in the audit work, (3) the Annual Audit Plans met the requirements of Office of Management and Budget Circular A-73, Audit of Federal Operations and Programs, and (4) the necessary corrective action was taken on the previous external quality review report dated May 29, 1990.

We reviewed the quality control policies and procedures to determine whether they would provide reasonable assurance that the OIG would conduct its audits in accordance with applicable standards. We compared the questionnaire completed by the OIG with their respective Operating Procedures Manuals and found the policies and procedures were adequate.

We reviewed the internal quality assurance program to determine whether the program was adequately designed to: (1) meet the objectives of quality assurance, and (2) produce reports which could be relied on. We found that the quality assurance program was adequate.

We examined internal quality assurance reports to determine whether the reviews were carried out in accordance with established policies, procedures and auditing standards. We reviewed 5 of the 16 quality assurance reviews performed between October 1, 1991 through June 30, 1993. Except as noted in our letter to management under quality assurance reviews, we found that the internal quality assurance reviews were carried out in accordance with the established quality control policies, procedures, and auditing standards.

We reviewed 15 individual audits to determine whether established policies, procedures and applicable auditing standards were followed. The universe for our selection was 161. We selected seven audit reports issued by Headquarters, four issued by the Atlanta Office and four issued by the Fort Worth Office. We found for the 15 reports reviewed that they materially complied with established policies, procedures, and applicable auditing standards.

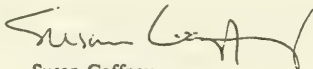
We reviewed the audit planning process to determine whether it was in accordance with A-73. We reviewed the Annual Audit Plans and briefing papers used to make up the plans. We found that OIG met the requirements of A-73.

We reviewed the previous external quality review report dated May 29, 1990 and related correspondence. We concluded that adequate corrective action was taken to resolve the recommendations in the report.

In our opinion, based on the foregoing reviews, there is reasonable assurance that the Audit Organization of the OIG, U.S. Department of Transportation has an adequate internal quality control system in place that is operating effectively. The OIG materially complied with the established policies, procedures and applicable auditing standards for the period ended March 31, 1993.

As a result of our review, we prepared a letter to the management of the Office of Inspector General for Audit. The management letter offers recommendations for improving policy guidance and assuring better adherence to established policies, procedures and applicable auditing standards.

Very sincerely yours,

A handwritten signature in dark ink, appearing to read "Susan Gaffney", with a stylized flourish at the end.

Susan Gaffney
Inspector General

Enclosure

PROTECTIVE AUDIT RESOURCES

Mr. CARR. Please update the data on protective audit resources found on page 481 of last year's hearing record.

[The information follows:]

Protective Audit Resources

<i>Fiscal year:</i>	<i>Staff years expended</i>
1987	7
1988	16
1989	16
1990	19
1991	6
1992	6
1993	1
1994 (planned)	1
1995 (estimated)	1

PROTECTIVE AUDIT DEFICIENCIES

Mr. CARR. Please also update the table on page 482 of last year's hearing record concerning deficiencies found during protective audits.

[The information follows:]

SUMMARY OF PROTECTIVE AUDITS DEFICIENCIES
[October 1, 1992 to September 30, 1993]

Operating administration	Number of reports	T&A	Travel	Inventory control	Vehicle utilization	Small purchase	Property records	Imprest fund activities	Other	Total
FAA	4	3	4	1	1	2	1	2	3	17
FHWA	1	1	1	0	0	0	0	0	0	2
USCG	0	0	0	0	0	0	0	0	0	0
FTA	0	0	0	0	0	0	0	0	0	0
NHTSA	1	1	1	1	1	1	1	0	1	7
MARAD	0	0	0	0	0	0	0	0	0	0
RSPA	1	1	1	1	0	0	0	0	1	4
FRA	1	0	0	0	0	1	0	0	0	1
OST	0	0	0	0	0	0	0	0	0	0
Total	8	6	7	3	2	4	2	2	5	31

STAFF PERFORMING INTERNAL AUDITS—FTE'S BY MODE

Mr. CARR. Please update the breakdown of FTE staff performing internal audit work by modal administration as shown on pages 483 and 484 of last year's hearing record.

[The information follows:]

INTERNAL AUDIT FTE'S

	Actual 1993	Estimated 1994	Estimated 1995
OST	26	26	23
USCG	64	66	58
FHWA	33	34	30
FAA	72	73	65
FRA	3	3	3
FTA	16	16	15
NHTSA	2	2	2
RSPA	11	11	10
MARAD	11	11	10
SLDC	1	1	1
Total	239	243	217

ONGOING AND PLANNED AUDITS

Mr. CARR. Please provide a listing of ongoing and planned audit assignments with corresponding scheduled report dates, similar in format to the data on pages 485-490 of last year's hearing record.

[The information follows:]

Listing of ongoing and planned audit assignments are shown as follows:

**ONGOING AUDIT ASSIGNMENTS
AS OF FEBRUARY 23, 1994**

PROJECT TITLE

U.S. COAST GUARD

USCG READINESS	MAR94
USCG NONSTANDARD SMALL BOAT MANAGEMENT, REGION X	APR94
USCG UTILIZATION OF BACHELOR QUARTERS (SUMMARY REPORT)	APR94
USCG UTILIZATION OF BACHELOR QUARTERS, ALAMEDA	APR94
BACHELOR QUARTERS TRAINING CENTER, CAPE MAY	APR94
CONSTRUCTION ACTIVITIES, ATLANTIC AREA	APR94
SUPERFUND TRANSACTIONS FOR FY 1992 ACTIVITIES	APR94
RETAIL EXCHANGE OPERATIONS, AIR STATION CAPE COD	MAY94
USCG NONSTANDARD SMALL BOAT MANAGEMENT, REGION II	MAY94
USCG SPARE PARTS PROVISIONING	MAY94
BACKGROUND AND CRIMINAL INVESTIGATIONS	MAY94
USCG IMPLEMENTATION/OVERSIGHT OF INDUSTRY DRUG RULE	MAY94
MANAGEMENT OF REPARABLE ITEMS, USCG SUPPLY CENTER, CURTIS BAY, MD	MAY94
IMPLEMENTATION OF THE COMPUTER ACT OF 1987, USCG	MAY94
UTILIZATION OF COAST GUARD'S ADMINISTRATIVE AIRCRAFT	JUN94
RETAIL EXCHANGE OPERATIONS, SUPPORT CENTER KODIAK, AK	JUN94
NONSTANDARD BOATS, 11TH USCG DISTRICT	JUN94
OVERTIME CONTROLS	JUL94
MEDICAL CLINICS, USCG	AUG94
TEMPORARY ACTIVE DUTY PROGRAM	SURVEY
FY 1993 FINANCIAL STATEMENT AUDIT, USCG	SURVEY
POLAR ICE BREAKER PROGRAM	SURVEY
MOTOR LIFEBOAT PREPRODUCTION DESIGN ISSUES	SURVEY

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

MANAGEMENT REVIEWS OF STATE HIGHWAY TRAFFIC SAFETY OPERATIONS	JUL94
UNIFORM TIRE QUALITY GRADING TEST FACILITY	SURVEY

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

PROJECT ACCEPTANCE REVIEW, NATL TRANSPORTATION SYSTEM CENTER	APR94
PIPELINE SAFETY STANDARDS OFFICE OF PIPELINE SAFETY	MAY94
TRAVEL MANAGEMENT VOLPE NATL TRANSPORTATION SYSTEM, CTR - FOLLOWUP	JUL94
MIDWEST EXPRESS AIRLINES AUDIT OF RSPA FORM 41 REPORTS	AUG94

ONGOING AUDIT ASSIGNMENTS AS OF FEBRUARY 23, 1994

PROJECT TITLE

FEDERAL AVIATION ADMINISTRATION

PROPERTY ACQUISITION AND REPLACEMENT HOUSING PAYMENTS	MAR94
UTILIZATION OF AIRPORT REVENUE (SUMMARY REPORT)	MAR94
USE OF GOVERNMENT OWNED VEHICLES, REGION IX	MAR94
AIRCRAFT PARTS MANUFACTURER APPROVALS	MAR94
NEW DEVELOPMENT NONCOMPATIBLE WITH AIRPORT NOISE, PORTLAND	MAR94
CERTIFICATION & SURVEILLANCE OF DOMESTIC & FOREIGN REPAIR STATIONS	MAR94
PROCUREMENT ACTIVITIES, LAMBERT ST LOUIS INTERNATIONAL AIRPORT	APR94
MANAGEMENT OF AIRPORT IMPROVEMENT PROJECTS, DALLAS/FT WORTH AIRPORT	APR94
INSTRUMENT LANDING SYSTEM REPLACEMENT	MAY94
NEW DEVELOPMENT NONCOMPATIBLE AIRPORT NOISE, CINCINNATI	MAY94
AUDIT OF TRAVEL BY FAA'S QUALITY ACTION TEAMS (QAT)	MAY94
AIRPORT REVENUE, SAN FRANCISCO	MAY94
AIRPORT REVENUE, ALBUQUERQUE AIRPORT	MAY94
AIRPORT REVENUE, KANSAS CITY INTERNATIONAL AIRPORT	MAY94
AIRPORT REVENUE, DOWNTOWN MUNICIPAL AIRPORT	MAY94
AIRPORT REVENUE, RICHARDS- GEBAUR AIRPORT	MAY94
HAZARDOUS MATERIALS MANAGEMENT, NORTHWEST MOUNTAIN REGION	MAY94
HAZARDOUS MATERIALS MANAGEMENT, FAA ALASKA REGION	MAY94
OFFICE AUTOMATION TECHNOLOGY SERVICES (OATS) PROGRAM	JUN94
UTILIZATION OF DOT AIRCRAFT	JUN94
AIRPORT REVENUES, MALDEN, MISSOURI	JUN94
AIRPORT REVENUE, HOT SPRINGS, ARKANSAS	JUN94
AIRPORT REVENUE, JFK INTERNATIONAL AIRPORT	JUL94
AIRPORT REVENUE, WESTCHESTER COUNTY AIRPORT	JUL94
AIRPORT REVENUE, BREMERTON NATIONAL AIRPORT	JUL94
AIRPORT REVENUE, PHILADELPHIA INTERNATIONAL AIRPORT	JUL94
SPARE PARTS PROVISIONING NAS PLAN EQUIPMENT	JUL94
VALIDATION OF AIRMEN MEDICAL CERTIFICATES	JUL94
REGIONAL STAFFING PATTERNS, NEW ENGLAND REGION	JUL94
FOLLOWUP TO ASSESS CORRECTIVE ACTIONS REHAB OF RUNWAY PAVEMENTS	JUL94
COST BENEFIT ANALYSES ON MAJOR ACQUISITIONS	JUL94
FAA IMPLEMENTATION OVERSIGHT OF THE INDUSTRY DRUG RULE	AUG94
FAA GOVERNMENT FURNISHED HOUSING	AUG94
AIRCRAFT RENTAL PROGRAM	AUG94
PROCEDURES FOR DISTRIBUTING AIRPORT IMPROVEMENT PROGRAM GRANTS	AUG94
AIRPORT REVENUE, GREATER PITTSBURGH INTERNATIONAL AIRPORT	AUG94
NEW DEVELOPMENT NONCOMPATIBLE WITH AIRPORT NOISE	SEP94
ADVANCED AUTOMATION SYSTEM	SURVEY
PASSENGER FACILITY CHARGES	SURVEY
FAA INTERAGENCY AGREEMENT, DTFA01-90-Z-02022 WITH DECCO	SURVEY
FY 1993 FINANCIAL STATEMENT AUDIT F&E PORTION, FAA	SURVEY
FY 1993 FINANCIAL STATEMENT AUDIT OF GRANTS	SURVEY
AIRPORT REVENUE, DES MOINES INTERNATIONAL AIRPORT	SURVEY
AIRPORT REVENUE, MCCARRAN, LAS VEGAS AIRPORT	SURVEY
USE OF GOVERNMENT OWNED VEHICLES, REGION V	SURVEY

FEDERAL RAILROAD ADMINISTRATION

HAZARDOUS MATERIALS INSPECTION PROGRAM	JUN94
RAILROAD ACCIDENT/INCIDENT REPORTING	JUL94

ONGOING AUDIT ASSIGNMENTS AS OF FEBRUARY 23, 1994

PROJECT TITLE

FEDERAL HIGHWAY ADMINISTRATION

IMPLEMENTATION OF ISTEA PROVISIONS PERTAINING OUTDOOR ADVERTISING	MAR94
MOTOR CARRIER SAFETY ASSISTANCE PROGRAM, FHWA REGION III	MAR94
LAND ACQUISITION AND RELOCATION ASSISTANCE	MAR94
MOTOR CARRIER SAFETY ASSISTANCE PROGRAM, REGION VI	APR94
SUMMARY COST COMPARISON OF ASPHALT VS CONCRETE PAVEMENT	APR94
ROW ACQUISITION & RELOCATION, CENTRAL ARTERY/THIRD HT PROJECT	APR94
MONITORING OF THE KENNEDY EXPRESSWAY CONSTRUCTION	MAY94
MOTOR CARRIER SAFETY ASSISTANCE PROGRAM, REGION V	MAY94
STATE HIGHWAY AGENCY THIRD-PARTY AUDITS	MAY94
FHWA IMPLEMENTATION/OVERSIGHT OF THE INDUSTRY DRUG RULE	MAY94
HIGHWAY NOISE PROGRAM	MAY94
FINANCIAL MANAGEMENT ACTIVITIES, MISSOURI HIGHWAY & TRANSP DEPT	MAY94
LIQUIDATED DAMAGES, FHWA REGION III	JUN94
MONITORING CONTROLS OVER CONSTRUCTION PROJECTS	JUL94
MOTOR CARRIER SAFETY ASSISTANCE PROGRAM	AUG94
INTELLIGENT VEHICLE-HIGHWAY SYSTEMS PROGRAM	SURVEY
1993 FINANCIAL STATEMENT AUDIT FHWA	SURVEY
BUY AMERICAN ACT	SURVEY
RELOCATION ACTIVITIES, CENTRAL ARTERY/THIRD HARBOR TUNNEL	SURVEY
BRIDGE SUFFICIENCY RATING DEVELOPMENT	SURVEY

MARITIME ADMINISTRATION

MANAGEMENT OF TRAVEL ACTIVITIES, US MERCHANT MARINE ACADEMY	MAY94
FY 1993 FINANCIAL STATEMENT AUDIT OF GRANTS	SURVEY
MERCHANT MARINE TRAINING INCENTIVES	SURVEY

FEDERAL TRANSIT ADMINISTRATION

CONTROL AND DISPOSITION OF PROPERTY, MTA	APR94
MANAGEMENT OF COOPERATIVE AGREEMENT IN FTA	APR94
USEFUL LIFE OF RAIL CARS, CTA	MAY94
HOUSTON METROPOLITAN TRANSIT AUTHORITY	MAY94
TESTING OF NEW MODEL BUSES, FTA	MAY94
USEFUL LIFE OF RAIL CARS MTA, BALTIMORE, MD	MAY94
USEFUL LIFE OF RAIL CARS, WMATA	MAY94
SAFETY OF CONTRACTOR OPERATED BUSES, REGION VI	JUL94
MONITORING OF ST LOUIS LIGHT RAIL TRANSIT PROGRAM, REGION VII	SURVEY
SECURITY OFFICE DOCUMENTATION FOR FTA'S ECHO SYSTEM	SURVEY
QUALITY OF INHOUSE DESIGN	SURVEY
FY 1993 FINANCIAL STATEMENT AUDIT, FTA	SURVEY

OFFICE OF THE SECRETARY OF TRANSPORTATION

FMFIA REPORTING PROCESS REVIEW - 1992	MAR94
PCIE CSIP TASK-3 FOLLOWUP AUDIT OF DOT TASK-2A ISSUES	APR94
OST MANAGEMENT ADVISORY	MAY94
MANAGEMENT OF COOPERATIVE AGREEMENT IN OSD BU	MAY94
PCIE CSIP TASK-3 FOLLOWUP DOT TASK 2A SYSTEM SOFTWARE MAINT	MAY94
UNEMPLOYMENT COMPENSATION PROGRAM, DOT-WIDE	MAY94
IMPLEMENTATION OF SUBTITLE D, DRUG FREE WORKPLACE GRANTEEES	MAY94
PCIE CSIP TASK-3 FOLLOWUP AUDIT DOT TASK 2A DISK STORAGE	MAY94
INTERNAL CONTROLS OVER, & COSTS ASSOC WITH, COMPUTER SOFTWARE MAINT	JUN94
COOPERATIVE AGREEMENTS CONSOLIDATED REPORT	JUL94
FMFIA REPORTING ACCURACY & EFFECTIVENESS OF CORRECTIVE ACTIONS - 1993	SURVEY

PLANNED AUDIT ASSIGNMENTS AS OF FEBRUARY 23, 1994

PROJECT TITLE

U.S. COAST GUARD

FOLLOWUP AUDIT ON THE IMPL. OF GAO AUD RPT REC ON IRM AT CG	PLANNED
SEAGOING BUOY TENDER REPLACEMENT PROGRAM	PLANNED
COASTAL BUOY TENDER REPLACEMENT PROGRAM	PLANNED
BRIDGE ADMINISTRATION PROGRAM	PLANNED
VESSEL TRAFFIC SERVICES 2000	PLANNED
ADMINISTRATION OF RESERVE TRAINING PAY	PLANNED
SUPERFUND TRANSACTIONS FOR FY 1993 ACTIVITIES	PLANNED
BUOY BOAT REPLACEMENT	PLANNED
PURCHASES WITH GOVERNMENT CREDIT CARDS, USCG	PLANNED
MAINTENANCE OF 110-FOOT ISLAND CLASS PATROL BOATS	PLANNED
LARGE UNIT FINANCIAL SYSTEMS (LUPS)	PLANNED
OVERSIGHT OF THE RATE MAKING PROCESS - GLPP	PLANNED
ACCOUNTABILITY & PROTECTION OF ARTIFACTS - FOLLOWUP	PLANNED
ACCOUNTABILITY MAINTENANCE & PROTECTION - LIGHTHOUSES	PLANNED
EXTENDING TOURS OF DUTY FOR ACTIVE-DUTY PERSONNEL	PLANNED
TEMPORARY ACTIVE DUTY PROGRAM	PLANNED
BASIC ALLOWANCE FOR QUARTERS & VARIABLE HOUSING ALLOWANCE	PLANNED
QUALITY OF CONTRACT HEALTH CARE PROVIDERS	PLANNED
OVERTIME CONTROLS	PLANNED
QUALITY ASSURANCE PROGRAM FOR AIRCRAFT PARTS, USCG, AR&SC	PLANNED
MEDICAL SERVICES & DRUGS, USCG 8TH DISTRICT	PLANNED
SEARCH & RESCUE PROGRAM, USCG 11TH DISTRICT	PLANNED
MANAGEMENT & CONTROL OF SMALL ARMS, USCG 11TH DISTRICT	PLANNED
PROCUREMENT ACTIVITIES, CIVIL ENGR DIV, USCG MLC-PACIFIC	PLANNED

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

DATA INTEGRITY AUDIT OF THE COMPLIANCE AUTOMATED REPORTING SYSTEM	PLANNED
NHTSA'S NEW CAR ASSESSMENT PROGRAM	PLANNED
CONTRACT ADMINISTRATION IN NHTSA	PLANNED
DEFECTS INVESTIGATION PROGRAM	PLANNED

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

DEVELOPMENT & IMPLEMENTATION OF THE ELECTRONIC TARIFF SYSTEM	PLANNED
NATIONAL AIR CARRIER COMPLIANCE WITH T-100 STATISTICAL RPTNG REQMTS	PLANNED
GROUP 1 AIR CARRIER COMPLIANCE WITH FORM 41 REPORTING REQUIREMENTS	PLANNED
GROUP 3 AIR CARRIER COMPLIANCE WITH FORM 41 REPORTING REQUIREMENTS	PLANNED
QUALITY OF SERVICES PERFORMED BY RSPA, VOLPE NATL TRANSP SYSTEM CTR	PLANNED
PROJECT CLOSEOUT PROCEDURES, VOLPE NATL TRANSP SYSTEM CTR	PLANNED

FEDERAL RAILROAD ADMINISTRATION

INSPECTION OF RAILROAD BRIDGES	PLANNED
NOISE REGULATIONS COMPLIANCE ACTIVITIES	PLANNED
CERTIFICATION OF LOCOMOTIVE ENGINEERS	PLANNED
RAILROAD SAFETY PROGRAM	PLANNED

PLANNED AUDIT ASSIGNMENTS AS OF FEBRUARY 23, 1994

PROJECT TITLE

FEDERAL AVIATION ADMINISTRATION

FOLLOWUP AUDIT OF FAA'S ENFORCEMENT INFORMATION SYSTEM	PLANNED
DEVELOPMENT & IMPLEMENTATION OF THE AVIATION SAFETY ANALYSIS SYS	PLANNED
PERSONAL PROPERTY IN-USE MANAGEMENT SYSTEM	PLANNED
VISUAL NAVIGATION AIDS	PLANNED
INDEPENDENT OPERATIONAL TEST AND EVALUATION OVERSIGHT	PLANNED
FLIGHT INSPECTION OF NAVIGATIONAL AIDS PROGRAM	PLANNED
CONTRACT TRAINING AT AIR TRAFFIC CONTROL FACILITIES	PLANNED
MANAGEMENT CONTROLS OVER EMPLOYEE RELOCATION	PLANNED
AIRWAY FACILITIES MAINTENANCE	PLANNED
EMERGENCY TRANSCEIVERS REPLACEMENT	PLANNED
AIRPORT CABLE LOOPING PROGRAM	PLANNED
INSTALLATION OF CAPITAL INVESTMENT PLAN PROJECTS	PLANNED
TERMINAL VOICE SWITCH REPLACEMENT	PLANNED
TRAINING MANAGEMENT	PLANNED
IMPLEMENTATION OF NATIONAL ASBESTOS CONTROL PROGRAM	PLANNED
LETTER OF CREDIT PROGRAM	PLANNED
CONTROL & DISP OF PERS PROPERTY & EQUIPMT ACQUIRED UNDER ARPT GRANTS	PLANNED
AGING COMMUTER AIRCRAFT	PLANNED
AVIATION MAINTENANCE TECH SCHOOLS MECHANIC CERTIFICATION PROGRAM	PLANNED
FEDERAL AIR MARSHAL PROGRAM	PLANNED
ADMINISTRATIVELY UNCONTROLLABLE OVERTIME	PLANNED
AIRPORT REVENUE - SEATTLE-TACOMA INTERNATIONAL AIRPORT	PLANNED
AIRPORT REVENUE - CHICAGO O'HARE AIRPORT	PLANNED
AIRPORT REVENUE - DETROIT METRO AIRPORT	PLANNED
AIRPORT REVENUE - ONTARIO INTERNATIONAL AIRPORT	PLANNED
AIRPORT REVENUE - LOS ANGELES INTERNATIONAL AIRPORT	PLANNED
AIRPORT REVENUE - VAN NUYS AIRPORT	PLANNED
AIRPORT REVENUE - PALMDALE REGIONAL AIRPORT	PLANNED
AIRPORT REVENUE - JOHN WAYNE/ORANGE CTY AIRPORT	PLANNED
AIRPORT REVENUE - BURBANK-GLENDALE-PASADENA	PLANNED
AIRPORT REVENUE - LOVE FIELD & REDBIRD AIRPORTS	PLANNED
CONTRACT ADMINISTRATION, FAA TECHNICAL CENTER	PLANNED
AIR CARRIER OPN OF AIRCRAFT WITH RECURRING AIRWORTHINESS MAINT PROBLEMS	PLANNED
CONTRACT AWARD PROCESS, GREAT LAKES REGION	PLANNED
CIVIL AEROMEDICAL INSTITUTE	PLANNED
AIR TRAFFIC CONTROLLER TRAINING, AERONAUTICAL CENTER	PLANNED
OVERSIGHT OF CONSULTANT CONTRACTS BY AIRPORT SPONSORS	PLANNED
STAFFING FOR MAINT TECHS & ENGRS AT AIRWAY FACILITIES, WST-PAC REGION	PLANNED
AIRPORT IMPROVEMENT GRANTS PROVIDED TO HAWAII AIRPORTS	PLANNED

FEDERAL HIGHWAY ADMINISTRATION

DATA INTEGRITY AUDIT OF MOTOR CARRIER MGMT INFORMATION SYSTEM	PLANNED
COMMERCIAL DRIVER'S LICENSE IMPLEMENTATION	PLANNED
INTERSTATE PAVEMENT CONSTRUCTION	PLANNED
FERRY VESSEL PROGRAM, REGION X	PLANNED
CONSTRUCTION CONTRACT CHGS EXTRA WORK ORDERS- CENTRAL ARTERY/TH	PLANNED
CONTRACT ADMINISTRATION EASTERN FED LANDS HIGHWAY DIVISION	PLANNED
PROPERTY ACQUISITION & RELOCATION ASSISTANCE PROGRAM	PLANNED
RAIL HIGHWAY CROSSING SAFETY PROGRAM, REGION V	PLANNED
HAZARDOUS MATERIALS TRANSPORTATION PROGRAM, REGION V	PLANNED
PREVENTIVE MAINTENANCE OF INTERSTATE HIGHWAYS, REGION VI	PLANNED
MONTANA DEPT OF HIGHWAYS FINANCIAL MANAGEMENT ACTIVITIES	PLANNED
CONSTRUCTION MONITORING PROGRAM, REGION IX	PLANNED

**PLANNED AUDIT ASSIGNMENTS
AS OF FEBRUARY 23, 1994**

PROJECT TITLE

MARITIME ADMINISTRATION

CARGO PREFERENCE REQUIREMENTS	PLANNED
READY RESERVE FORCE OUTPORTING PROGRAM	PLANNED
SHIP ACQUISITION PROGRAM	PLANNED
PROCUREMENT ACTIVITIES, US MERCHANT MARINE ACADEMY	PLANNED

FEDERAL TRANSIT ADMINISTRATION

SAFETY PROGRAMS FOR MASS TRANSIT BRIDGES	PLANNED
MANAGING THE TRANSITION TO ACCESSIBLE TRANSIT FACILITIES	PLANNED
PROJECT MANAGEMENT OVERSIGHT PROGRAM	PLANNED
MONITORING OF FORCE ACCOUNT ACTIVITIES AT MAJOR GRANTEEES	PLANNED
COST ALLOCATION PLANS, NYCTA, REGION II	PLANNED
CONTROLS OVER GRANTEE PROCUREMENTS, REGION III	PLANNED
LEASE OF REVENUE BUSES, SEPTA, REGION III	PLANNED
LAND ACQUISITION PRACTICES, DALLAS AREA RTA, REGION VI	PLANNED
CONTROLS OVER GRANTEE PROCUREMENT, REGION IX	PLANNED
DISPOSITION OF MASS TRANSIT EQUIPMENT, REGION IX	PLANNED

OFFICE OF THE SECRETARY OF TRANSPORTATION

CFO AUDITS OF FY 1993 FINANCIAL STATEMENTS	PLANNED
LIQUIDATED DAMAGES PROVISIONS IN DOT CONTRACTS	PLANNED
OVERSIGHT OF MAJOR SYSTEMS ACQUISITION	PLANNED
DEPARTMENT OF TRANSPORTATION SPACE MANAGEMENT	PLANNED
IMPLEMENTATION OF SUBTITLE G, DENIAL OF FEDERAL BENEFITS	PLANNED
LOBBYING ACTIVITIES FOR FY 1993	PLANNED
CONTRACTED ADVISORY AND ASSISTANCE SERVICES FY 1993	PLANNED
TRANSIT BENEFIT PROGRAM	PLANNED
OST IMPLEMENTATION/OVERSIGHT OF THE INDUSTRY DRUG RULE	PLANNED
INTRA-ALASKA MAIL RATES	PLANNED

SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION

EFFECTIVENESS OF MARKETING PROGRAM	PLANNED
FINANCIAL RESERVE FUND	PLANNED

PROGRAM AUDITS—TIME TO COMPLETE

Mr. CARR. Please update the chart on page 491 of last year's hearing record showing the average time to complete your program audits, and explain any significant lengthening of that time.

[The information follows:]

The length of time required to complete an OIG audit, from the survey to final audit report, varies significantly from audit to audit. OIG management utilizes the audit survey to identify problem areas and define the audit scope, locations, and approach. At the conclusion of the survey, a formal debriefing is held to present the survey results. Information discussed at the debriefing provides OIG management a basis to establish specific time frames and staff day estimates to complete the verification phase of the audit. At the completion of the audit verification, a second formal debriefing is held to discuss the audit results, conclusions reached, and tentative findings and recommendations. OIG management then establishes time frames for drafting the audit report based on issues discussed at the verification debriefing.

AVERAGE TIME TO COMPLETE OIG PROGRAM AUDITS

(In months)

Phase	Fiscal year		
	1991	1992	1993
Survey	1.9	2.3	2.3
Verification	3.6	3.2	3.3
Draft report	3.6	3.0	2.9
Awaiting response to report	1.9	1.6	1.9
Final report	1.0	1.0	1.1
Total	12.0	11.1	11.5

ON BOARD AUDIT STAFF

Mr. CARR. Please update the chart on page 491 of last year's hearing record regarding on board audit strength by providing data comparing estimated and current figures and the differences for fiscal year 1994.

[The information follows:]

The onboard audit strength today as it compares to the FTE staff years for fiscal year 1994 is discussed in the following chart.

Office/region	On board strength	FY 1994 FTE	Difference
JA-1	2	2	0
JA-2	11	10	+1
JA-10	42	40	+2
JA-20	35	36	-1
JRA-30	43	43	0
JRA-2	33	31	+2
JRA-3	19	21	-2
JRA-4	35	36	-1
JRA-5	21	22	-1
JRA-6	27	25	+2
JRA-7	19	19	0
JRA-9	30	30	0
JRA-10	20	22	-2
Total	337	337	0

STAFF-INTENSIVE AUDITS

Mr. CARR. Please update the listing of 20 most staff-intensive audits, similar in format to that shown on page 493 of last year's hearing record, by providing data for fiscal year 1993.

[The information follows:]

DEPARTMENT OF TRANSPORTATION, OFFICE OF INSPECTOR GENERAL

[Listing of 20 most staff-intensive audits, FY 1993]

	Staff months	Project number	Oper admin
72	3D3002D000	FY 1992 airport & aviation trust fund	OST
59	3D3004D000	FY 1992 highway trust fund	OST
50	3040020000	Nonstandard small boat management	USCG
44	3S8001S000	Utilization of DOT aircraft	FAA
43	2480014000	Useful life of rail cars	FTA
43	2940079000	Designated mechanic examiner appointments	FAA
40	3440044000	New development noncompatible with airport noise	FAA
38	2V3018V000	USCG spare parts provisioning	USCG
37	3340033000	Utilization of bachelor quarters	USCG
36	2340073000	Testing of new model buses	FTA
33	2D3003D000	Office automation technology & services program	OST
30	3S8002S000	Motor carrier safety assistance program	FHWA
30	2440014000	Property acquisition and replacement housing payments	FAA
30	3940019000	Airport security	FAA
30	1D3002D000	PCIE CSIP task-3 followup governmentwide task 2A issues	OST
28	2V3014V000	Management of cooperative agreements	FHWA
26	2V3019V000	Spare parts provisioning NAS plan equipment	FAA
25	2S5005S000	Lone star airlines section 419 subsidy billings	OST
25	3740047000	Procurement Lambert-St. Louis international airport	FAA
24	2440034000	Highway noise program	FHWA

AUDIT POSITIONS PROPOSED FOR ELIMINATION

Mr. CARR. Please provide a listing of the 31 positions proposed for elimination in the office of the Assistant Inspector General for Auditing for fiscal year 1995. For each, please provide the job title, unit (headquarters/field), grade level, and salary.

[The information follows:]

The following positions are targeted for elimination in fiscal year 1995:

Number	Grade	Salary	Position	Unit
1	ES-4	\$94,000	Director, office of marine and department wide audits	HQ
2	GM-15	138,850	Audit program directors.	
6	GM-14	354,130	Audit project managers	HQ
3	GM-13	149,840	Auditors	HQ
13	GS	347,880	Auditors	HQ
6	GS	113,700	Auditors	Field
31	.....	1,198,400		

The GS employees are career ladder grades 5 through 12.

CHIEF FINANCIAL OFFICERS ACT

Mr. CARR. I understand that because of technical problems with the Departmental Accounting and Financial Information System (DAFIS), there was some concern last year that you would have to disclaim any opinion on the accuracy of the financial statement audit of the airport and airway trust fund. In the end, was a disclaimer necessary? What was the problem with DAFIS?

[The information follows:]

A disclaimer was necessary because no subsidiary ledger support existed for the general ledger account balances reflected on FAA's fiscal year 1992 financial statement. As a result, we could not perform detailed validation testing of the yearend general ledger account balances, which was necessary to express an opinion on all or any part of FAA's financial statement. DAFIS holds DOT's official accounting records used for financial statement preparation. Since DAFIS is a live database, every accounting entry changes the general ledger account balances as well as the subsidiary ledger support. Therefore, yearend backup files are created for record retention purposes. We requested the DAFIS staff to restore the September 30, 1992 subsidiary ledger detail files (containing an estimated four million individual detail records) so we could perform the necessary detailed validation testing. According to the DAFIS staff, the yearend backup files could not be restored due to the poor condition of some tapes and the inadvertent discarding of others due to mislabeling. Since manual re-creation of these files was not a reasonable or feasible alternative, the OIG could not validate the yearend general ledger account balances. Consequently, we had to disclaim an opinion on the airport and airway trust fund portion of FAA's financial statements. These problems were corrected by the DAFIS staff before the end of fiscal year 1993, and we do not expect a recurrence during this year's audit.

STAFFING FOR CFO WORK

Mr. CARR. What does the budget request assume regarding the use of in-house versus contract personnel for CFO work in fiscal year 1995?

[The information follows:]

Our fiscal year 1995 budget request for CFO Act audit work is \$1 million, and we project using this entire amount to fund only in-house staff. Our appropriation legislation for fiscal years 1993 and 1994 expressly prohibited us from hiring contractors to perform any CFO financial statement related audit work, and we have no reason to believe the Congress may change its stance on this issue.

CFO AUDIT PLANS

Mr. CARR. What are your plans for auditing the fiscal year 1993 and 1994 financial statements and how do you plan to eventually cover all the funds required by the CFO Act?

[The information follows:]

For fiscal years 1993 and 1994 the OIG was/is precluded by law from (i) spending more than \$1 million for performing financial statement audits required by the CFO Act and (ii) hiring contractors to perform any of this work. Anticipating the same funding restrictions in fiscal year 1995 for auditing fiscal year 1994 financial statements, we have included only \$1 million for CFO Act implementation in our fiscal year 1995 budget request. As long as such funding restrictions are imposed on us, we will not be able to perform all of the audits currently required by the CFO Act.

For the audit of fiscal year 1993 statements (to be performed in fiscal year 1994), audits are being conducted on (i) the Highway Trust Fund (involving FHWA and FTA), (ii) the Airport and Airway Trust Fund portion of FAA's financial statement, (iii) the Federal Ship Financing Fund portion of the MARAD financial statement, and (iv) the Oil Spill Liability Trust Fund portion of the USCG financial statement. These audits were selected based on an evaluation of materiality, inherent risks, and available resources. Our audits of fiscal year 1994 financial statements will continue to focus on these same four areas—which together account for 96 percent of the funds required to be audited based on fiscal year 1992 operating expenses. (Our

objective for continuing to audit the same accounts is to issue unqualified opinions.) If resources permit, we will add a fifth fund during fiscal year 1995. We will continue adding more audits in future years as resources permit.

INSPECTIONS AND EVALUATIONS REPORTS ISSUED

Mr. CARR. How many reports has the Office of Inspections and Evaluations (I&E) issued over the past year, and what is the average report length?

[The information follows:]

Since March 1993, the OAIGE staff (16 employees located at headquarters and in two regional offices—Washington, D.C. and Chicago) completed a total of 49 projects, including 3 major inspections, 24 congressional requests, 11 Hotline complaints, and 11 general referrals. Another 4 projects are nearing completion, with the draft responses being finalized for issuance. In addition to those projects completed or in draft, 11 other projects are in progress. Finally, a total of 14 projects are on hold pending the availability of staff. This information is illustrated below.

STATUS OF OAIGE PROJECTS SINCE MARCH 1993

Project types	In progress	Draft	Final	On hold ¹	Totals
Inspections and evaluations	3	1	3	9	16
Congressional requests	3	2	24	0	29
Hotline complaints	1	1	11	3	16
OST/other referrals	4	0	11	2	17
Totals	11	4	49	14	78

¹ On hold waiting availability of staff.

Reports issued by OAIGE generally fall into three categories: reports of major inspections and evaluations; responses to congressional inquiries; and responses to Hotline complaints and other referrals. For the three major inspection and evaluation reports issued in the past year, the reports averaged 20 pages in length, excluding appendices. Congressional responses vary from 1- to 2-page letter responses to 10-page reports. Responses to hotline complaints and other referrals generally do not exceed 2 pages.

SAVINGS AND IMPROVEMENTS RECOMMENDED

Mr. CARR. What recommendations were made from I&E reports over the past year which could lead to significant cost savings or operational improvements in the Department?

[The information follows:]

Two major inspections completed in FY 1993 resulted in significant recommendations. These projects included a review of the Department's rulemaking process and an inspection of the Federal Aviation Administration's 1988 reorganization.

The Department's Rulemaking process.—At the request of the Secretary, we performed an evaluation of the Department's rulemaking process. Recommendations for improvement of the process included: (i) revising the Department's regulatory review procedures; (ii) incorporating deadlines in the review process; (iii) delegating authority and accountability to enforce compliance with those deadlines; (iv) delegating authority to mediate nonconcurrences; (v) ensuring properly trained staff; and (vi) providing better status reporting to Congress. Both the Secretary and the Department's National Performance Review team on rulemaking accepted these recommendations and they are being implemented.

FAA's 1988 reorganization hampered communication and policy execution within the agency.—In response to a congressional request, we evaluated the effectiveness of FAA's 1988 reorganization (known as "straightlining"). This reorganization sought to significantly increase the centralization and standardization of management oversight and reporting relationships. Overall, straightlining aimed to minimize FAA regional variations by making regional operating divisions directly accountable to headquarters.

We assessed FAA's effectiveness in communicating and overseeing policy execution since the 1988 management reorganization. Specifically, the inspection sought to evaluate: (i) how FAA internally communicates and coordinates information within and between straightlined organizations; and (ii) how consistently FAA applies national aviation policies.

We found the 1988 reorganization improved communication and management accountability within straightlined organizations; reduced communication between straightlined organizations and between straightlined and non-straightlined organizations; and generally improved the consistency by which policy is executed, with the major exception of the aircraft inspection program.

We recommended FAA develop and implement: (i) procedures for identifying and coordinating issues that cut across organizational lines; and (ii) data collection and analysis methods to ensure a uniform national aircraft inspection program. FAA officials either partially or fully concurred with our findings and recommendations. There is agreement FAA has planned and undertaken corrective actions which meet the intent of the report's recommendations.

LONG RANGE GOALS

Mr. CARR. What are your long range goals and objectives for this office during the next three to five years?

[The information follows:]

OAIGE has three major goals:

Significantly increase the OAIGE evaluation function by redirecting work and resources to perform this function. Since the OAIGE was established to respond to Congressional and Secretarial requests and to Hotline complaints, as well as perform inspections and evaluations, the majority of the work of this small staff is reactive. However, we have begun to use this organization to perform proactive work in line with the intent and spirit of the Vice President's National Performance Review (NPR), and the Secretary's Strategic Plan. These proactive efforts will include areas such as grants program criteria, acquisition reform, organizational restructuring, consolidation, and downsizing. It will also include effective practice reviews (spreading the word about what programs and practices work well and why); and collaborative efforts with management to evaluate their planned programs before money is spent and their current programs by measuring performance results.

Develop program and functional expertise within the OAIGE staff, i.e., issue-area coordinators (IACs), to serve as OAIGE's resident experts for an assigned operating administration, providing technical advice and direction to other analysts working in the IAC's assigned area(s). Each IAC will be responsible for establishing and maintaining close contact with relevant DOT personnel (e.g., OIG Audits, OIG Investigations, and DOT audit liaisons, program managers, and subject-matter specialists), maintaining files of relevant issue-area information, and developing and reviewing workplan proposals.

Improve turnaround time on all types of OAIGE projects, including: inspections, evaluations, congressional requests, Hotline complaints, and other referrals. We have developed new planning, milestone, and reporting documents for easy tracking and follow-up.

ADMINISTRATIVELY UNCONTROLLABLE OVERTIME (AUO)

Mr. CARR. On page 39, it states that the benefits associated with Law Enforcement Officers' Special Retirement Program and administratively uncontrollable overtime (AUO) result in a benefits rate of 29 percent for these personnel compared to 22 percent for other personnel. Please explain in more detail these differences in benefits.

[The information follows:]

The benefits rate is calculated on the base salaries, but it must also fund the benefits paid on AUO. AUO is the only premium pay where the full range of benefits are paid. Therefore increases in AUO would result in corresponding contributions by the OIG in the following benefit areas: FICA, Medicare, retirement, Thrift Saving Plan, and life insurance. The total percentage increase for these benefits areas could be as big as 17 percent. The law enforcement officers' special retirement program requires the Federal agency and employee pay an additional one half of a percent for the opportunity to retire early. In addition, over half of the investigative work force is covered by FERS. AUO is included in base pay for FERS and for the Thrift Savings Plan matching contribution.

Mr. CARR. Please update the chart showing administratively uncontrollable overtime on page 473 of last year's hearing record, by providing data for fiscal years 1991-1995.

[The information follows:]

Fiscal years 1991 through 1993 reflects actual amounts expended. Fiscal year 1994 and 1995, represents estimated actual and requested budget amounts, respectively.

Fiscal year:

1991	\$164,318
1992	368,123
1993	593,088
1994	346,000
1995	300,000

Mr. CARR. Last year, you asked for an increase in AUO. However, this year it has been decreased. Why is this?

[The information follows:]

The DOT Office of the Assistant Secretary for Budget, and OMB, cut AUO. Cutting AUO will very, very seriously impair our abilities to fully perform our investigative functions. The DOT and OMB imposed limits on our use of AUO has already caused us to suffer a loss of talented investigative personnel, especially women and minorities to investigative agencies with full AUO.

MOTOR FUEL EXCISE TAX RESOURCES

Mr. CARR. Please update the table showing motor fuel excise tax investigative resources shown on page 503 of last year's hearing record by providing data for fiscal years 1993 through 1995.

[The information follows:]

For fiscal year 1993, the OIG spent approximately 4 agent years on motor fuel excise tax evasion investigations. The OIG has budgeted approximately 11 agent staff years for fiscal years 1994 and 1995.

FBI REVIEW OF INVESTIGATIONS

Mr. CARR. What recommendations were made by the FBI's review of the office of investigations last year, and to what extent have you implemented those recommendations?

[The information follows:]

At the request of the Inspector General, the FBI reviewed the DOT OIG investigative operation and made a number of suggestions. The Inspector General immediately developed an implementation plan. To date, we have implemented the great majority of the recommendations including: taking a more proactive approach to investigations; establishing investigative priorities; better development of informants and information sources; reprioritizing hotlines and assigning non-criminal allegations to other organizations to handle, wherever possible; structuring specialized training to meet our agent's needs rather than general management-type courses; quarterly firearms training; increased liaison between SACs and the law enforcement community; and procurement of needed equipment for the field offices.

We have addressed all the issues raised in the review and have taken steps to resolve all of them. Certain issues, such as improving field inspection procedures and developing an agents' manual on investigative practices, have been addressed

by the creation of new field office inspection guidelines and an agents' reference manual. Both of these documents have been completed and are pending final approval. Also, existing vacancies around the country are being filled as quickly as possible.

ADMINISTRATIVE STAFF REDUCTIONS—POLICY, PLANNING AND RESOURCES

Mr. CARR. You are proposing to reduce the staffing in this office from 36 positions in fiscal year 1994 to 32 in fiscal year 1995. Exactly which four positions are being eliminated and what are the corresponding grade and salary levels?

[The information follows:]

We are currently reviewing the staffing levels and functions of this office. We plan to eliminate the Deputy Director, an SES position. We are also considering the elimination of one of the GS-15 office directors and two administrative support personnel (e.g., finance, human resources, and/or information technology). We will keep the committed advised of our decisions regarding this office.

Mr. CARR. How are you proposing to handle the workload formerly allocated to these positions?

[The information follows:]

Authority for certain administrative activities will be delegated to program officials who will be empowered to make decisions locally, subject only to headquarters oversight. In addition, we are reviewing ways in which to consolidate various functions with an eye towards reallocating available resources into those areas which directly support the OIG's mission.

SEMIANNUAL REPORTS

Mr. CARR. The Office of Policy and Procedures is responsible for preparing and publishing the semiannual reports to Congress. How much do these reports cost annually and how many are printed?

[The information follows:]

The total cost of printing 1,100 copies of each of the two most recent Semiannual reports was \$2,981. This amount consists of \$1,517 for printing the September 30, 1993 report and \$1,464 for the March 31, 1993 report.

DIRECTORATE FOR ADMINISTRATION

Mr. CARR. I understand you are planning to replace the Office of the Assistant Inspector General for Policy, Planning and Resources with a Directorate for Administration. Could you explain your specific plans and tell us how the change will improve the OIG's operations?

[The information follows:]

Consistent with the President's direction, the results of the National Performance Review, and DOT's downsizing efforts, we are eliminating four positions through a restructuring of the Office of the Assistant Inspector General for Policy, Planning, and Resources. The reduced staffing within the new Directorate for Administration will be supported by streamlining those administrative functions currently overstaffed and decentralizing several administrative support functions. In each of these areas, office managers (e.g., within Audits, Inspections and Evaluations, and Investigations) will be empowered to make decisions locally subject only to Headquarters oversight. Our goal, therefore, is to continue to reduce administrative positions, while at the same time maintaining and/or improving overall administrative support within the OIG.

Mr. CARR. When is this change expected to take place, and does it require legislation?

[The information follows:]

We have not, as yet, finalized all aspects of the structure and planned operation of the Directorate. We expect to complete that process within the next few weeks. Once complete, our plan will be submitted to the Office of the Secretary for approval. Upon receipt of that approval, we plan to execute the reorganization. Inasmuch as this is simply an internal organizational realignment, no legislation is required to effect the change.

AUDIT AND INVESTIGATIVE GOALS

Mr. CARR. What are your main audit and investigative goals for fiscal year 1995 and why?

[The information follows:]

We will continue our restructuring effort with a view toward reducing the number of higher-graded managerial positions, reducing administrative overhead by reducing Headquarters staff, potentially closing smaller offices, decentralizing Headquarters functions with an aim toward empowering our field managers and staff thereby making more staff available to perform our critical oversight function to eliminate fraud, waste and abuse. At the same time, each of our 3 disciplines, Audits, Evaluations and Investigations, will work in a closer, more collaborative fashion, including regular liaison, maintaining files of relevant issue-area information, and reviewing work plan proposals in order to have a more effective, efficient organization. We will also work with the Operating Administrations to insure that the Department of Transportation's (DOT) increased investment in transportation infrastructure are used properly and do not fall victim to fraud, waste, or abuse. We will assist the implementation and expansion of ideas and programs that work and review and recommend changes in those that do not.

In helping the DOT to implement its goals as set forth in its Strategic Plan, we will continue our effort to insure the safety of the traveling public by continuing our Audit, Evaluation and Investigation activities concerning FAA safety as well as safety in the other operating modes by expanding our substandard parts program. We will also take a more proactive approach to ensure environmental compliance by aggressively pursuing those that do not follow proper standards respecting the transportation of hazardous materials. Finally, in terms of DOT's goal to make transportation more relevant and accessible, we will continue to aggressively review handicap transportation programs and allegations of unequal treatment and unequal access.

More specific details about our audit and investigative goals for fiscal year 1995 are described in the statement submitted by Inspector General Schiavo.

MOST SIGNIFICANT ISSUES FACING THE DEPARTMENT

Mr. CARR. Would you update us on what you view as the most important issues or problems facing the Department today? What has been dropped or added to last year's list and why?

[The information follows:]

The most important issues/problems facing DOT relate to:

- Maintaining adequate safety and inspection oversight.
- Controlling cost growth and implementation delays of FAA's air traffic systems.
- Managing major acquisitions and procurement in FAA and USCG.
- Providing adequate contract administration.
- Strengthening grants oversight.
- Ensuring collection of motor fuel taxes.
- Improving logistics management in the FAA and USCG and strengthening control of Government property.
- Complying with environmental requirements by FAA and USCG.
- Improving financial and contract management systems in DOT.
- Improving computer security in DOT.

While Suspected Unapproved Parts (SUPS) is still a major problem in the aviation industry as well as other transportation modes, we dropped it from our list because we consider it an integral part of the safety and inspection oversight issue that we listed. SUPS was replaced on our list by cost growth on FAA's air traffic system. We added this issue because of our concerns with funding and staffing. As you know FAA's Capital Improvement Program, previously "National Aerospace (NAS) Plan" has grown from \$12 billion when initially conceived in 1981 to over \$32 billion today. Additional, implementation time has slipped dramatically. At the

same time, the older equipment must be maintained. This has and will continue to strain DOT's ability to fund and adequately staff the systems.

NATIONAL PERFORMANCE REVIEW (NPR)

Mr. CARR. I understand your office had a significant role in the National Performance Review (NPR). Would you tell us what your role was, and identify both your suggestions that were adopted in the final report and those that were not?

[The information follows:]

During the past year, the OIG worked extensively with two of Vice President's National Performance Review (NPR) teams. In working with the Department's Reinvention Team, we offered ideas for reinventing DOT, many of which arose from OIG audits. We also worked extensively with the NPR Reinventing IGs subteam to develop suggestions, review drafts, and help craft workable recommendations to improve IG effectiveness without compromising IG independence.

Many issues identified by the OIG were included in the NPR report "Creating a Government that Works Better and Costs Less." Those that were not included were either already resolved and/or in the process of being resolved. Examples of those OIG issues incorporated in the NPR report include: increasing FAA fees charged for certification and surveillance of foreign aircraft repair facilities (NPR Report Recommendation DOT08); contracting out for low use (Level 1) air traffic control towers or closing where appropriate (NPR Report Recommendation DOT09); eliminating funding for demonstration projects (NPR Report Recommendation DOT17); redirecting the spending for the U.S. Merchant Marine Academy (NPR Report Recommendation DOT18); rescinding and recovering unobligated balances from prior years (NPR Report Recommendation DOT19); reducing the essential air services subsidies (NPR Report Recommendation DOT20); and terminating grant funding for FAA Higher Education Programs (NPR Report Recommendation DOT21). The NPR estimated the savings from these ideas would amount to \$8.15 billion. The House of Representatives has already passed legislation to implement several of our recommendations which we made to Congress in hearings in March 1993, to the Office of Management and Budget on June 2, 1993, and then to the NPR for adoption as recommendations.

Mr. CARR. The NPR made several recommendations for improving the IG's performance, including a change in the focus of your work from compliance auditing to evaluation of management control systems. In addition, they believed IGs should be more collaborative with their host Departments and less adversarial. How do you plan to fulfill these recommendations, and what changes have been made or considered?

[The information follows:]

I have been actively involved with the President's Council on Integrity and Efficiency in developing a vision statement and a statement of reinvention principles for the Inspector Generals. The vision statement and reinvention principles not only capture the spirit of the NPR, but also maintain the independence and objectivity that is the cornerstone of our legislatively mandated mission. They also represent a clear determination to positively engage our energies to promote a more cooperative relationship with agency management and improve the operation of our offices.

One of the major changes I implemented, even before the NPR, was the establishment of the Office of the Assistant Inspector General for Inspections and Evaluations (OAIGE). The OAIGE solves many of the deficiencies outlined in the NPR report. For example, one of the OAIGE's functions is to provide quick turnaround inspection and evaluative reviews of management and program operations to provide decision makers with, as stated in the NPR, "timely, relevant, and accurate reports that are valuable management tools." The OAIGE's work also tends to be collaborative, with evaluation teams frequently working closely with departmental officials and program managers.

Our audit process is also designed to be collaborative yet objective and independent. We provide management the opportunity to comment on audit plans, provide draft reports for review and comment and frequently meet to develop the best workable solutions to the problems we identify.

Finally, the NPR recommended that IG should not accept bonuses from their departments'. As Inspector General, I have never accepted a bonus.

Mr. CARR. These recommendations suggest that IGs should be less like "watchdogs" and more like part of the Department's "team". But I thought a central part of the IG concept is that you were expected to be independent of the program offices and other members of the departmental "team" conducting day-to-day operations of the Department. If you are to become more of a team player, how will you maintain your independence to make the tough calls against those programs when they are needed?

[The information follows:]

The OIG is well aware of the prohibition against performing "program operating functions." We are also well aware of our need to maintain a high degree of independence and objectivity in performing our oversight mission through the conduct of audits, investigations, and inspections and evaluations. The need to maintain the statutory independence is the reason I worked closely with the NPR OIG subteam to help preserve the independence, which was significantly more limited under earlier drafts of the NPR OIG subteam.

However, the development of more collaborative working relationships with departmental managers does not preclude our making the "tough call" against those programs when they are needed. If anything, we have found cooperation has helped facilitate the identification of problems as well as the implementation of corrective solutions. As illustrated by work performed by the OIG's Office of the Assistant Inspector General for Inspections and Evaluations (OAIGE), the development of cooperative working relationships have lead to a number of productive ventures. For instance, at the request of the Secretary, the OAIGE conducted an evaluation of the Department's rulemaking process. The evaluation resulted in a number of recommendations, all of which were accepted by the Secretary, and later, by the National Performance Review. Currently, the OAIGE is working with the Secretary and his Civil Rights Officer to improve the Department's Civil Rights Program.

Mr. CARR. Today, you issue audit and investigative reports, and measure your contribution to DOT's mission in part by tracking the cost savings and cost avoidance resulting from those reports. To the extent that you do less traditional auditing, and more of what some might call planning and program management assistance, won't that make measuring the performance of your office more difficult?

[The information follows:]

While creating some new challenges, the development of nonmonetary performance measures for such activities as "planning and program management assistance" will not be overly difficult. Most of our work, even with the establishment of the Office of the Assistant Inspector General for Inspections and Evaluations (OAIGE), remains predominately audits and investigations. Thus, monetary criteria will continue to be a major performance measure. Further, of the work performed by the OAIGE, a number of non-monetary performance measures have been developed, including: (1) number and type of inspection and evaluation requests completed and (2) timelines of OIG's response.

WORKERS' COMPENSATION

Mr. CARR. The costs of workers' compensation continues to rise in the Federal Government. I understand your office has looked into the Department's workers' compensation program. Do you have any findings you can report to us?

[The information follows:]

We expect to issue our draft report in March 1994. Our review focused on the Federal Aviation Administration (FAA) and the United States Coast Guard (USCG) who together constitute 95-percent of the Department of Transportation's (DOT) Federal Employees Compensation Act (FECA) costs. For the year ended June 30, 1993, total FECA costs for DOT were \$87.7 million.

We found that Operating Administrations had effectively implemented temporary light duty programs to return to work those claimants whose injuries required only minor job accommodations or a temporary change of position. Operating Administrations were also coordinating their Occupational Safety and Health Programs with the Workers' Compensation Program to identify trends and justify training classes and safety devices. In addition, the administrative procedures over claims processing were being managed effectively. However, improvements are needed in managing the workers' compensation program for long-term claimants.

We found that Operating Administrations were not effectively monitoring long-term workers' compensation claims or taking appropriate actions to reemploy recovered claimants. Approximately \$65 million in FECA charges was paid for 1,795 long-term claims. Operating Administrations generally separate claimants from active employment roles if they have been disabled for more than a year and are not likely to be able to return to work. At five of seven sites visited, staff did not monitor long-term claimants to determine if they could be reemployed. We found that case files for long-term claimants were not always maintained and for those files that were maintained, medical reports and employment status were not kept current. In addition, we found that Operating Administrations were not reemploying those claimants who had been cleared by their physician to return to work. These conditions occurred because the Office of the Secretary of Transportation (OST) and the Operating Administrations were not following established policies and procedures, and they have not placed adequate priority on managing the Workers' Compensation Program. The lack of management priority may stem from the fact that (1) costs are automatically provided for in each year's budget and (2) managers are not held accountable for FECA costs. As a result, claimants remain on workers' compensation rolls even though physicians have cleared them to return to work and opportunities to reduce DOT's yearly FECA costs were missed.

Mr. CARR. In our Committee report last year, we asked the Department to consider setting aside budgetary resources which could be used to return employees to work who are currently receiving workers' compensation payments, and to consider ways to encourage retirement rather than remaining on the workers' compensation rolls for those employees eligible to retire.

Do you have any knowledge as to whether the Department considered these ideas in formulation of the fiscal year 1995 budget? [The information follows:]

According to Departmental budget and workers' compensation program management, DOT did not set aside budgetary resources to return employees to work for two primary reasons: First, DOT is in the process of downsizing. Returning people to work from Federal Employees Compensation Act (FECA) rolls will exacerbate the problem and make it more difficult to meet the employment ceiling. Second, DOT FECA compensation costs increased at a slower rate for the 12 month period ended June 30, 1993, (0.2 percent) than for other agencies as a whole (4.2 percent). DOT did participate in an interagency working group comprised of workers' compensation program managers from other Federal agencies looking at ways to improve the program. DOT supported amending FECA to encourage retirement for those eligible to retire. However, neither DOT nor the working group pursued the needed legislative changes.

Mr. CARR. Would you support such initiatives? [The information follows:]

The OIG supports these initiatives. DOT could reduce wage compensation benefits by reemploying those claimants who have been cleared by their physicians to return to work. Of the \$71.6 million in workers' compensation wage benefits for the 12-month period ended June 30, 1992, \$65 million was paid on 1,795 long-term claims. Our audit found that some of these claimants have been cleared to return to work but continue to receive full benefits because DOT has not offered them positions, and the claimants have not found other employment. If DOT implemented initiatives to return these employees to work, FECA costs could be reduced. Other agencies have done this with success. According to an October 1988 GAO report on FECA cost growth and workplace safety, other Federal agencies have reduced their annual workers' compensation costs by developing new positions and authorizing specific funding and staff years for rehiring former employees. GAO reported that annual savings were estimated to be \$63 million for the U.S. Postal Service and \$14

million for the Department of Agriculture. Although this initiative would increase the number of staff at DOT, it would have minimal impact on DOT's budget because DOT is already reimbursing DOL for 75 percent of the employees' wages. Furthermore, there is no reason why DOT could not request OMB approval to account for these staff separately so that they did not count against employment ceilings.

DOT workers' compensation costs could also be decreased if compensation benefits for claimants eligible for retirement were reduced. FECA provides for benefits to be paid until an employee's death. FECA does not decrease the compensation for workers who would normally have their salary decreased upon retirement, therefore, it benefits the employee to remain on the FECA rolls instead of opting for regular retirement. Approximately, \$52.9 million of the \$71.6 million in workers' compensation wage benefits for the 12-month period ended June 30, 1992, was paid to employees age 55 or older. In addition, at least 565 of these claimants were eligible to retire at the time they were separated from DOT due to their work related injury. We estimate that DOT could reduce its FECA charges by \$13 million a year if benefits were reduced from 75 percent to 50 percent for employees reaching age 55.

EEO PROCESS

Mr. CARR. Your September 1993 semiannual report states that you have received numerous Congressional inquiries and hot line complaints into the equal employment opportunity (EEO) process and Offices of Civil Rights in DOT. What types of problems are being raised?

[The information follows:]

The types of problems being raised by constituents and complainants include:

- Dissatisfaction with the results of the investigation of their individual complaints;
- Dissatisfaction with the length of time to complete the complaint process;
- Noncompliance with an EEOC order;
- Conflict of interest of personnel conducting the investigations;
- Incompetency of investigative personnel;
- Continued discrimination after an EEO complaint resolution; disclosure of confidential statements; and
- Lack of due process.

Mr. CARR. What is your timetable for looking into the organizational structure and resources of the Offices of Civil Rights and the EEO process?

[The information follows:]

Preliminary work with the Office of Civil Rights review is ongoing. The Secretary had also seen the need for a comprehensive departmental review of the Civil Rights Program and the Departmental Office of Civil Rights (OCR) has just completed such a study. Through this study, they identified an extensive number of problems. Because of the extent and nature of the problems and because the review cuts across the Department's many individual Headquarters and regional organizations, the OCR Director is developing several different reorganization options to present to the Secretary. We began assisting OCR by independently validating information previously collected in their study. We are currently working with them and the departmental Office of Budget to develop cost data for each of these options. Once the Secretary selects a reorganization option, our office will then develop a full design plan and timetable for both developing and implementing a new departmental OCR Program.

DOT'S IMPLEMENTATION OF SAFETY BOARD RECOMMENDATIONS

Mr. CARR. What did you find in your review of the Department's implementation of Safety Board recommendations?

[The information follows:]

The Department of Transportation (DOT) Operating Administrations were generally responsive to the National Transportation Safety Board (NTSB) safety recommendations; however, initial responses did not always include action plans with estimated completion dates, and the status of safety recommendations needed to be periodically reviewed and updated. In a memorandum to the Operating Administrations, dated March 12, 1993, the Office of the Secretary of Transportation (OST) re-emphasized the requirement in the NTSB legislation to include target dates with each action plan submitted to NTSB. Also, OST addressed the need to be more vigilant in reviewing the current status of safety recommendations in NTSB status reports. A revision to DOT Order 2000.1C, "Department of Transportation Procedures for Handling National Transportation Safety Board Recommendations," includes a requirement for Operating Administrations to conduct periodic reviews of the status of safety recommendations and report any errors detected to NTSB, either directly, or through OST. The revision has been approved and is currently waiting to be signed.

Mr. CARR. Which modes had the worst record, and which had the best?

[The information follows:]

Our review examined open recommendations to determine whether initial responses were timely and included action plans with estimated completion dates. We further reviewed closed recommendations to determine whether action plans were implemented in a timely manner. Our review included the activities of the U.S. Coast Guard (USCG), Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), and Research and Special Programs Administration (RSPA). Our results showed USCG had the worst initial response time with an average of 182 days, while RSPA had the best average of 55 days. The standard for submitting initial responses is within 90 days from receipt of the NTSB recommendation. All modes reviewed generally had the required action plans included in their initial responses. However, only 19 percent of FAA's action plans included completion dates. This is compared to RSPA which had completion dates in 53 percent of their action plans. Generally, all modes implemented the action plans and closed out the recommendations within a timely manner.

Mr. CARR. Among other things, your audit found that it took the Coast Guard an average of six months to respond to the Safety Board's findings, and that figure was getting worse, not better. By comparison, it took FHWA about three months, FAA a little over two months, and RSPA less than two months. Why does it take the Coast Guard so long to respond to the Safety Board?

[The information follows:]

According to Coast Guard officials responsible for responding to NTSB recommendations, it takes them longer to submit the initial response, in part, because they wait to receive the accident investigation report prior to addressing the recommendation. This report can be received weeks following receipt of the safety recommendation. Coast Guard officials believe they can better respond to the safety recommendation if they know the causes surrounding the accident.

UNIVERSITY RESEARCH GRANTS

Mr. CARR. Last year, we had a significant discussion regarding indirect cost rates charged to the Department on its university research grants. Many of these "overhead" rates were 40 to 60 percent of the basic research costs. Has OMB made any changes in the allowable indirect cost rates which can be charged to agencies, including DOT?

[The information follows:]

OMB Circular A-21, Cost Principles for Educational Institutions, provides that administrative costs charged to sponsored agreements awarded or amended with effective dates beginning on or after the start of the institution's first fiscal year which begins on or after October 1, 1991, shall be limited to 26 percent of modified

total direct costs. Such administrative costs include General Administration and General Expenses, Departmental Administration, Sponsored Project Administration, and Student Administration and Services (including their allocable share of depreciation and/or use allowances, interest costs, operation and maintenance expenses, and fringe benefit costs.) The most recent revision to A-21 was dated July 26, 1993. The section dealing with limitation on reimbursement of administrative costs was renumbered from G.6 and G.7 and was slightly revised to incorporate Student Administration and Services within the 26 percent limitation.

Mr. CARR. If we were being charged rates of 40 to 60 percent before on a DOT university research budget of around \$50 million annually, and those rates have now been lowered, shouldn't we expect to see budgetary savings as a result?

[The information follows:]

It is reasonable to expect that lower indirect cost rates would reduce costs to obtain the same amount of research. However, those economies could be used to either reduce research budgets or to buy a larger amount of research.

Mr. CARR. As we would expect, university research grants are audited. However, Mr. DeCarli mentioned in last year's hearing that university audits required by both the Single Audit Act and OMB Circular A-133 are narrow in focus. As he said:

The financial statement audit, for the most part, does not give managers the kind of information they would like to have to effectively manage a grant and make sure that it is accomplishing what it was intended to or that it is being managed efficiently . . . you are ending up with a financial statement that doesn't really tell a whole lot about how that grant is being managed.

Has anything changed over the past year to make these audits more useful?

[The information follows:]

As discussed last year, these audits are financial and compliance audits. They provide reasonable assurance that financial transactions and status are recorded and reported accurately and that the grantee complied with specific Federal laws and regulations. These audits were not then, and are not now, intended to assess whether the grant achieved its purpose economically, efficiently, or effectively.

AIRPORT REVENUE DIVERSION

Mr. CARR. Last year, we discussed a series of audits addressing airport revenue diversion. Can you update us today on the total number of revenue diversion audits completed by your office?

[The information follows:]

We have issued 22 final reports, and an additional report (San Francisco) is currently in draft.

Mr. CARR. What audits have been issued since our hearing last year, and what were your specific findings in those cases?

[The information follows:]

We have issued four final reports since March, 1993. The airport locations and the amount of annual diversion of revenue and annual loss rent are summarized in the following table.

Airport—Time period	Approx. annual diversion	Approx. annual lost rental	Approx. annual loss
Phoenix-Sky Harbor, Arizona:			
Fiscal years 1991, 1992	\$542,000	\$4,300,000	\$4,842,000
Oakland, California:			
Fiscal years 1990, 1991, 1992	359,000	229,000	588,000
Venice, Florida:			
Fiscal years, 1989 through 1992	0	2,400,000	2,400,000

Airport—Time period	Approx. annual diversion	Approx. annual lost rental	Approx. annual loss
Lambert-St. Louis International:			
Fiscal years 1990, 1991, 1992	700,000	0	700,000
Total	1,601,000	8,189,000	9,790,000

AIRPORT REVENUE AUDITS

Mr. CARR. How many airport revenue audits does your office currently have underway, what airports are involved, and could you offer preliminary results from any of these audits?

[The information follows:]

We have audits of airport revenue in process at 17 airports. The 17 airports and our preliminary results regarding revenue diversion and lost rent are shown in the following table.

No.	Airport	Status	Approximate Annual Diversion	Approximate Annual Lost Rent	Approximate Annual Loss***
1.	Baltimore/Washington, Maryland	A	see note 1	\$102,000	\$102,000
2.	Pittsburgh International	C	0	0	0
3.	Allegheny County, Pennsylvania	C	0	\$722,000	\$722,000
4.	JFK International, New York	B	see note 2	\$109,000	\$109,000
5.	Westchester County Airport, New York	B	\$6,250,000	\$478,000	\$6,728,000
6.	Hot Springs, Arkansas	B	\$535,000	\$26,000	\$561,000
7.	Bremerton, Washington	B	\$2,000	\$2,000	\$4,000
8.	Philadelphia International	B	\$1,600,000	0	\$1,600,000
9.	Northeast Philadelphia Airport	B	0	\$231,000	\$231,000
10.	Albuquerque, New Mexico	B	0	0	0
11.	Kansas City International	B	0	\$56,000	\$56,000
12.	Downtown Municipal (Kansas City)	B	0	0	0
13.	Richards-Gebaur Airport (Kansas City)	B	0	\$30,000	\$30,000
14.	Meacham Airport, Fort Worth, Texas	B	0	\$165,000	\$165,000
15.	Las Vegas, Nevada	C	0	0	0
16.	Malden, Missouri	B	0	\$11,000	\$11,000
17.	Hayward, California	C	0	0	0
TOTAL			\$8,387,000	\$1,932,000	\$10,319,000

A Draft report prepared, awaiting Counsel opinion

B In Verification

C In Survey

*** Before Corrective Action Taken As a Result of Audit

NOTES

1. **Baltimore/Washington** - The airport contributed a total of \$7.4 million of net income to the Maryland Department of Transportation Trust Fund in FYs 1990 and 1991. During the same FYs the Trust Fund transferred \$70 million to the Maryland general fund to cover state budget shortfalls.

2. **JFK** - During FYs 1992 and 1993, \$39 million of airport operating revenue were used by the sponsor (Port Authority of New York and New Jersey) to pay for sponsors indirect costs (General Overhead and General Engineering Overhead). The sponsor's indirect cost rates were not approved by FAA, as required. The sponsor lost revenues between \$109,000 and \$238,000 annually because leases included clauses for fixed periodic adjustments rather than periodic adjustments based on a recognized economic index.

Mr. CARR. In particular, you were planning to issue a report on Baltimore-Washington International (BWI) airport sometime last year, but that report has not been issued. What did you find in that audit?

[The information follows:]

We have not yet issued the draft report. We found BWI lost \$204,000 in rental income during FYs 1990 and 1991. In addition, \$7.2 million was transferred from the Maryland Department of Transportation (MDOT) Trust Fund, which includes all airport revenues, to the Maryland General Fund, to cover FY 1991 and 1992 budget shortfalls. Because of the commingling of funds within MDOT, we were unable to determine the amount of lost airport revenues.

Mr. CARR. How long has this audit been in the Office of the General Counsel, and what is holding up the report's issuance?

[The information follows:]

The request for a legal opinion has been in the Office of the General Counsel for 21 months. The request was sent on May 12, 1992. We are waiting for the legal opinion on the legality of transfers to the General Fund before issuing the report.

Mr. CARR. In our bill last year, we included a provision which denies any DOT funding to a city which diverts airport revenues. Do you think the OST General Counsel is unduly delaying a decision in this case possibly to avoid reductions in Federal support for the Baltimore area?

[The information follows:]

Nothing has come to our attention to indicate that General Counsel is delaying an opinion to avoid reductions in federal support for the Baltimore area.

Mr. CARR. I believe we provided your office with a copy of this Committee's Surveys and Investigations study highlighting the continued problem of revenue diversion. Have you had a chance to read that report, and if so, would you agree with those findings?

[The information follows:]

We have read the report and are in general agreement with the findings. In fact, a number of the specific examples cited in the report were the result of our audits.

Mr. CARR. The S&I staff concluded that much more intensive field enforcement presence is needed to detect and deter improper revenue diversion. This would require a significant and sustained audit presence. Should that work be performed by the IG or by the FAA?

[The information follows:]

FAA is primarily responsible for ensuring airport sponsors comply with provisions of the Airport and Airway Improvement Act. Our audits have shown FAA must take a more active approach to their oversight responsibilities. One action they plan to take as a result of our airport revenue summary report is to identify airports that are potentially diverting revenues. Airports found to have this potential will be targeted for an OIG airport revenue audit. I must emphasize these audits do not take the place of effective and continuous oversight.

REVENUE ACTIVITIES AT AIRPORTS

Mr. CARR. Related to revenue diversion is the issue of airports which undercharge for the use of their land and facilities. Currently, airport managers are required to maximize their revenues, in order to be as self-sustaining as possible. However, your audits have been finding that many airports are not aggressive in maximizing their revenues.

Last year, you said in a statement for the record that; "since airports have been relatively successful in getting Federal grants, and since the FAA has taken a passive approach to the airport revenue and self-sustainability grant assurances, the conditions addressed in our airport revenue audit reports have become fairly commonplace."

What does FAA need to do in order to require airport managers to maximize their rentals, leases, and other revenue generating activities?

[The information follows:]

FAA needs to enforce grant provisions and limit grants to airports that are not complying with these assurances. This would include limiting Airport Improvement Program grants to airports that are leasing property at less than fair market value.

NOISE ABATEMENT GRANTS

Mr. CARR. In our fiscal year 1993 Committee report, we noted that significant funds were being wasted through Federal noise abatement grants to communities which knowingly allow development in noise-impacted areas around airports. We asked for a nationwide audit of this problem.

Have you concluded that audit, and if so, what did you find?

[The information follows:]

Using FAA noise grant award data, we selected 10 airports in eight FAA region to perform the requested assessment. We evaluated each of the sponsors' Airport Noise Compatibility Programs and Noise Exposure Maps and observed the sponsors' implementation of noise abatement and mitigation measures. For land in the noise impacted areas, we determined the number of new developments approved for construction since the Noise Exposure Map acceptance date by reviewing building permit data. We also reviewed and calculated the amount of vacant land zoned for residential use to determine the impact of any future development.

We found that noncompatible development had been built, and more could be built, within the noise impacted area of the airports in our sample. Audit of building permits disclosed 2,503 single-family houses, 3,977 multifamily residential units, 83 mobile homes, 8 churches, and 3 other noncompatible uses had been constructed within the noise impacted areas since the Noise Exposure Maps were accepted. We also found 6,733 acres of vacant land in the noise contours zoned for residential development. Because noncompatible development has been allowed and no legal impediment effectively precludes additional noncompatible development of the vacant land, we estimate Federal funds of about \$75.6 million could be necessary to provide noise mitigation remedies.

We have issued individual reports on the ten airports and we are currently preparing a national summary report.

AIRPORT GRANT PROGRAM

Mr. CARR. As you know, this year the Airport Grant Program is up for reauthorization. What specific measures could Congress include in that legislation to more effectively deal with this problem?

[The information follows:]

In our summary report, we intend to recommend actions designed to discourage more noncompatible development in designated airport noise impacted areas and to limit Federal liability for such future development.

To discourage future development we intend to recommend actions to achieve more appropriate zoning and building codes and better notification of potential homeowners. We intend to recommend that FAA require airport sponsors to inform local political jurisdictions that noncompatible development subsequent to acceptance of the Noise Exposure Map will not be eligible for federally assisted noise mitigation and require these sponsors to revise their Airport Noise Compatibility Programs to incorporate this policy. We are also considering whether these local political jurisdictions should become parties to any grant agreement providing noise miti-

gation in their jurisdiction in order to gain written agreement for appropriate zoning and/or building codes as a prerequisite to a federally assisted airport noise program in their jurisdiction. We also intend to make recommendations to provide better notification of adverse airport noise impact. We may recommend annual advertisement of noise exposure maps and more frequent updates of those maps. We are also considering options for more direct notification of potential home buyers such as deed restrictions or noise notification during property settlements.

We also anticipate recommendations designed to limit Federal liability for airport noise impact. We may recommend that FAA not participate in the purchase of aeronautical easements because they do not reduce noise exposure, are difficult to value, and are frequently paid to a recent buyer well aware of the airport noise. Likewise, we may recommend that FAA not participate in the sound proofing of recently constructed or purchased property where the owner knew the property was noise impacted before purchase.

In a legal opinion we requested, our attorney advisor has concluded that Congress could act in a variety of statutory ways to reduce or preclude Federal payments for noise mitigation. As an example, our attorney advisor observes that Congress could require imposition of a deed restriction on noise liability as a condition for receiving Federal airport grant funding for noise compatibility projects.

NOISE IMPACTED ZONES—LOI'S

Mr. CARR. Only a few months after Congress approved a large letter of intent for improvements at Memphis International Airport, you reported that Memphis was allowing significant housing development in noise-impacted zones around the airport. You said this could result in payment of \$8.7 million in unnecessary Federal funds for noise abatement.

In your opinion, should the Department and the Congress require letters of intent to specifically state that LOI funding will not be allowed for airports which allow development in noise-impacted zones?

[The information follows:]

Yes. However, the noncompatible new development as Memphis International Airport was in nonsponsor jurisdictions, and under current statutes and regulations, beyond the dominion of either the FAA or the sponsor.

Mr. CARR. Should we make this a precondition for further funding on existing multiyear letters of intent?

[The information follows:]

Yes. LOI restrictions would be an effective restraint. However, to control noncompatible new development in nonsponsor jurisdictions, statutory changes are needed to empower airport sponsors not to compensate noncompatible new development in these jurisdictions.

RELIEVER AIRPORTS PROGRAM

Mr. CARR. Last year, we discussed your conclusion that funding for "reliever" airports was not being effectively utilized since the airports were not drawing much traffic away from the congested commercial service airports. Has any progress been made over the past year in improving this situation?

[The information follows:]

The program has not changed since our audit report was issued. In response to our audit report, the FAA Administrator stated FAA would conduct a comprehensive evaluation of the reliever airport program and based on the results would decide whether policy changes in the program are appropriate. In the interim, the FAA would continue to administer the reliever airport program in accordance with the existing criteria and policy guidance. FAA has committed to inform the Office of Inspector General on any policy changes resulting from the evaluation by March 31, 1994. At that time, we will be in a better position to evaluate FAA's progress in improving the reliever airport program.

Mr. CARR. The FAA was planning to complete a comprehensive evaluation of the Reliever Airports Program by October 31, 1993. Did they finish this report, and if so, what were its recommendations?

[The information follows:]

According to the Chief of Staff for the FAA Administrator, the comprehensive evaluation has been completed. However, the study report has not been issued by the evaluation team. Currently, FAA senior management is reviewing any proposed recommendations made by the evaluation team and deciding whether to implement any policy changes as a result of the evaluation. FAA has committed to inform the Office of Inspector General on the study recommendations and any planned policy changes by March 31, 1994.

Mr. CARR. The administration's aviation reauthorization proposal would drop the set aside for reliever airports from 10 percent of AIP funds to 5 percent. Based on your review of the effectiveness of the reliever airport program, do you support this proposal?

[The information follows:]

Yes. Any reduction in the amount of Federal assistance will be helpful because the FAA has not demonstrated that the Federal assistance of approximately \$160 million set aside by Congress each year for reliever airports has resulted in a significant diversion of general aviation aircraft from commercial service airports and has been used in an economical manner. A reduction in funding will not solve the problems we identified during our audit. Criteria are needed to ensure that any Federal funds set aside for reliever airports are used effectively.

GREGORY MAY INVESTIGATION

Mr. CARR. Last year, a television news show ran a story alleging "cult-like" training by FAA consultant Gregory May at the FAA's Management Development Center in Palm Coast, Florida. You were conducting an investigation of those allegations at the request of the Office of the Secretary. What have you found to date, and why hasn't your report been issued?

[The information follows:]

The investigation is ongoing. In addition to the allegation of "cult-like" training, the complainants alleged that the training was conducted with the full support of the FAA and raised questions about the relationship between the contractor and the FAA. The complainants also alleged the contractor had undue influence over senior FAA managers.

Because the investigation is ongoing, it would be inappropriate to discuss the details or findings of the investigation to date. A report should issue in the not too distant future. The investigation has been time consuming for several reasons. FAA documentation was difficult to gather. Procurement and contract documents had to be reviewed in each FAA region. Interviews have been conducted nationwide. Moreover, certain FAA witnesses have not been forthcoming which has required extended interviewing.

The contractor did not fully comply with a subpoena for documents, delaying the investigation in two regards. First, the failure to provide all the required documents in itself has delayed the investigation. Second, the preparation for a subpoena enforcement action has also consumed time and resources.

As a result of our inquiry, numerous additional allegations relative to FAA training were received. We have attempted to conduct at least a preliminary evaluation of each allegation. One set of allegations about FAA training raised issues of criminal conduct unrelated to management training. Those issues have now been referred to our Atlanta field office for full investigation.

Mr. CARR. Can you give us some examples of the types of activities and training exercises which were sanctioned by the FAA, but considered by some participants to be "cult-like"?

[The information follows:]

Again, because this investigation is ongoing, it would be inappropriate to discuss any aspect of it in detail. However, in the television news show you referred to, the 3 complainants, who were employed by the contractor, were interviewed and discussed the following techniques they allege they were subjected to. Their privacy was taken away. They were tied at the wrists in groups of two and three for a 24-hour period and were required to sleep, eat, and attend their personal needs while tied together. Members of the opposite sex were permitted to go to the bathroom separately, but they were required to sleep together. Meditation exercises were used. They were subjected to name calling. They also alleged the trainer made them promise not to disclose their activities.

FAA'S TRAINING PROGRAMS

Mr. CARR. I understand that, during the course of your investigation, the head of the Management Training Center received from the FAA one of the Federal Government's highest awards to civilian employees. Does your investigation indicate that FAA executives deserved high honors for their management and oversight of training programs?

[The information follows:]

Because the investigation is ongoing, I am unable to respond to your question at this time. I am able to confirm that the Director of the Center for Management Development received a Presidential Rank Award in October 1992. The report will address this issue.

AIRPORT SECURITY LAPSES

Mr. CARR. In a recent audit, your teams tested the security systems at some of our largest U.S. airports by attempting to enter secure areas as unauthorized persons. Your report details what appear to be shocking lapses of security at our airports. The investigators were able to enter secure areas 75 percent of the time (15 out of 20 attempts).

In one case, your auditors walked right onto an aircraft unchallenged and placed a note under a passenger seat. Of course, this could have been an explosive device or a gun. Why do you believe your auditors were so successful at penetrating the security systems at these airports?

[The information follows:]

We were successful because both airline personnel and FAA agents had become comfortable with existing security systems, and in all probability did not perceive the existence of a real threat to passengers and property. Also, as noted in our report at the airports visited, FAA had categorized security as "good to very good." As a result, FAA agents were not aggressive, displayed minimal imagination and initiative in testing security systems, and initiated minimal enforcement actions against airports. In turn, airport personnel became lax in implementing challenge procedures, investigating security alarms, and displaying proper identification.

Mr. CARR. You recommended that the FAA take aggressive action to thoroughly test access controls. Do you think the FAA should regularly test the system, as your investigators did, and if so, would they need extra field resources to perform that activity?

[The information follows:]

FAA should regularly test the system. We do not think they would require extra resources to perform these tests. Tests were being performed by FAA agents; however, they are often unimaginative and perfunctory. By enhancing the quality of ongoing tests and initiating enforcement action as appropriate, FAA should be able to meet its testing requirements without additional resources.

Mr. CARR. How much testing is enough, in your view? For example, how frequently should airports be tested, and should that vary by airport size or other factors?

[The information follows:]

There is no magic number. The frequency of testing must be left to the discretion of the Office of Civil Aviation Security and Federal Security Managers. It also must be based on the best intelligence available and the results of ongoing tests designed to breach security. Obviously, the amount of testing will also vary by airport size and the results of vulnerability assessments. Furthermore, the testing must be more challenging. The same old FAA testing tactics and familiar FAA inspectors appear at the airports time and time again. What testing is undertaken is ineffective. Increasing the frequency of the well-worn, and ineffective tests will not help.

LOW ACTIVITY AIR TRAFFIC CONTROL TOWERS

Mr. CARR. As you may know, last year this committee initiated a program to begin contracting out the FAA's low activity (i.e., level 1) air traffic control towers. I understand your office did some audit work in this area a few years ago, and concluded that contracting out was the way to go. Would you elaborate on why you believe contracting out is a sound policy?

[The information follows:]

In this case, contracting out is a sound policy. Continued use of FAA's air traffic control staff at low activity (Level 1) towers is not cost effective. Our January 1991 audit report on Low-Activity Airport Traffic Control Towers showed that FAA could reduce costs significantly by contracting out all of its Level 1 towers. Contracting out significantly reduces personnel costs because contractors have been able to operate towers and fewer controllers than FAA. Our audit found that FAA's staffing levels ranged between 6 and 14 persons per tower, while contractor staffing levels were between 3 and 5 persons per tower. FAA's cost studies have supported our position and show that over \$92 million (in 1992 dollars) can be realized over a 10-year period if FAA contracts out its 96 Level 1 towers.

In addition to reducing personnel costs, the Contract Tower Program provides FAA, in a time of limited resources, the opportunity to transfer controllers to higher level facilities while continuing tower service at lower activity airports. As stated in our 1991 report, these controllers would not have to receive the initial training that new hires would require. This relocation of controllers would help alleviate air traffic control specialist shortages at higher level air traffic facilities.

The FAA has stated it plans to contract out 25 Level 1 towers per year. FAA states contracting out about 100 Level 1 towers will save \$200,000 per tower. The FAA will gain 250 controllers a year from contracting out the towers.

CERTIFIED AVIATION MECHANIC TESTING

Mr. CARR. Part of the FAA's safety oversight responsibility involves the testing of applicants that want to become certified aviation mechanics. The FAA performs this function through 669 designated mechanic examiners (DMEs), who test about 20,000 applicants each year. In a recent audit, you observed the tests administered by some of the DMEs and found some serious problems. What were these problems, and why didn't the FAA's management systems detect them?

[The information follows:]

Our audit showed DME testing practices were not consistent with FAA standards and were not equally thorough, and DMEs abused their appointments by lowering testing standards.

Why FAA management systems did not detect these problems is a difficult question to answer. However, it appears FAA was comfortable with, and did not question its system which ensured all FAA annual DME surveillances were accomplished, and the paperwork was completed. As a result, FAA was not focusing on the quality of surveillances and potential adverse effects to aviation safety resulting from deficiencies in the DME program. Although FAA was aware that certain DMEs were

lowering their standards, FAA apparently did not believe it was as significant a problem as we demonstrated. In fact, during our audit, FAA management told us they relied on the professionalism of DMEs and FAA inspectors to administer the program properly. Lacking third party complaints of DME program deficiencies, FAA concluded increased oversight of the DME program was not required.

Mr. CARR. Most disturbingly, you found cases where examiners were compromising their integrity. For example, one examiner agreed to provide a shorter and easier test for a one-time fee of \$600; another helped a student during a test by telling him the right answers. What is wrong with the FAA's field supervision of these examiners which would allow such gross abuses?

[The information follows:]

Again, over time FAA had become comfortable with its system of certifying aviation mechanics, and FAA Inspectors have not been required to perform their surveillances of DMEs in an aggressive manner consistent with procedures and regulations. Our audit did not recommend new methodologies to prevent DME abuses. We merely recommended FAA enforce existing standards and procedures relative to testing practices, facility and equipment requirements, and take action against DMEs who are abusing their appointments.

FAA INSPECTION PROGRAMS

Mr. CARR. You have conducted several audits over the past couple of years on various aspects of FAA's inspection programs. What overall grade (A through F) would you give the inspection program today, and why?

[The information follows:]

We would give FAA's inspection program a D grade. Our 1992 report on the Aviation Inspection Program (Report No. R6-FA-2-084) disclosed significant deficiencies in FAA inspection coverage. Subsequent audits of FAA's surveillance of Designated Mechanic Examiners (Report No. R9-FA-3-106), Foreign Manufactured Aircraft Parts (Report No. R0-FA-4-001), Domestic and Foreign Repair Stations (Report No. R4-FA-4-009), and Parts Manufacturer Approvals (Report No. R6-FA-4-007) continue to show significant weaknesses in FAA's system for monitoring and enforcing aviation safety regulations. It is our opinion that FAA's inspections programs constitute a material weakness that should have been reported to the President and Congress in the FY 1993 FMFIA report. In each and every one of these audit reports, we advised the FAA of the need to report these weaknesses. We also advised the Secretary of our position in December 1993.

Mr. CARR. Last year, you stated that the FAA was representing that they were conducting some inspection activities which, in truth they were doing. You said, "it makes everyone's work more difficult when they have a front program that really is not achieving what they are tasked with doing." What should we be doing to improve this situation?

[The information follows:]

We have recommended FAA (i) improve and standardize its inspection policy and procedures, (ii) strengthen supervision of inspectors, (iii) establish a system to better target inspections to high risk areas, and (iv) improve follow-up and enforcement efforts concerning aircraft replacement parts. The Committee can assist through oversight hearings by holding FAA accountable for making and reporting real achievements in these areas.

FAA OVERSIGHT OF FOREIGN MANUFACTURED PARTS

Mr. CARR. How would you describe the FAA's oversight of foreign manufactured parts? Is the FAA doing its job in this area?

[The information follows:]

At the time of our audit, FAA was not providing oversight of foreign manufactured aircraft parts and had no surveillance activities planned through 1996. We

found FAA was not identifying parts provided to production approval holders by foreign suppliers, and no FAA inspections of foreign parts suppliers had been scheduled. We also found FAA was not using the services of Foreign Civil Air Authorities to conduct foreign supplier surveillance. FAA's Associate Administrator for Regulation and Certification advised us that inspection resources were not available for identifying foreign suppliers of aircraft parts or for conducting supplier surveillance. We found, however, the FAA had not (i) determined the level of inspection resources needed, (ii) developed an annual plan to prioritize utilization of existing resources, or (iii) implemented a system to monitor the actual utilization of inspection personnel. The FAA did not know the number of foreign suppliers.

ADVANCED AUTOMATION SYSTEM

Mr. CARR. What has been your involvement in the advanced automation system (AAS) since we directed your review in last year's conference report?

[The information follows:]

Since early November 1993, our efforts included obtaining an understanding of the AAS Program and a status of program cost, schedule, and management. We met with AAS Program officials, attended briefings, and reviewed documents at FAA Headquarters offices in Washington, DC. We performed field visits and attended briefings at the FAA Development Demonstration Facility, Gaithersburg, MD and the FAA Technical Center, Atlantic City, NJ. We also met with members of FAA Administrator Hinson's 45-day review team to discuss AAS Program issues and answer questions. Outside of FAA we held discussions with officials from Office of the Secretary of Transportation general counsel, budget and programs, and acquisition and grant management; General Accounting Office (GAO), and the Defense Contract Audit Agency (DCAA). Additionally, we selected a sample of DCAA audit reports for review to determine the types of qualifications, findings, and recommendations made on International Business Machines (IBM), the AAS prime contractor, and its subcontractors.

Mr. CARR. Specifically, have you issued any reports to OST on this issue? If not, when do you plan to do so?

[The information follows:]

We issued our first AAS report on March 3, 1994.

ESSENTIAL AIR SERVICE

Mr. CARR. Over the years, you have found numerous cases of unsubstantiated billings by air carriers under the essential air service program. One recent example is a November 1993 audit of Prime Air, Incorporated, which provides air service in Tennessee and Illinois. You found many instances where Prime Air was requesting payment for flights that had been canceled or for flights that made unauthorized stops.

I understand in this case, the carrier pled guilty in Federal court, and will probably pay a fine. In abusive cases such as this, does the Department ever kick such carriers out of the program and forbid them from winning future awards, similar to the debarment process? Is a fine enough?

[The information follows:]

To date, Prime Air is the only EAS carrier convicted of filing false claims. Prior to our audit, Prime Air's authority to provide air transportation was revoked by FAA and Prime Air discontinued operations. Although our audits have found numerous cases of unsubstantiated billings, no other air carrier has been fined or removed from the program. Legal action against carriers has been severely hindered because concise written guidelines to carriers for filing and supporting subsidy claims do not exist. For example, in 1992, the OIG investigated a complaint that an EAS carrier had allegedly filed false claims for subsidy payments during 1988 and 1989. The investigation determined that the carrier had been paid approximately \$75,000 for flights that were never taken. The U.S. Attorney for the jurisdic-

tion declined to prosecute due to insufficient evidence of criminal intent. He stated that OST's lack of written guidelines and instructions to the carrier on how to file subsidy claims significantly contributed to his decision. The U.S. Attorney strongly recommended that OST establish such guidelines. We agree with this suggestion and have made the same recommendations to OST in prior audits.

Mr. CARR. Wouldn't such action send a signal to these carriers that the Department will no longer tolerate false claims such as these?

[The information follows:]

Yes, it would. Prosecution, as well as other disciplinary action against carriers that file false claims would undoubtedly serve as an example to other carriers. Clear written policy consistently enforced by OST prohibiting carriers from receiving subsidy for unauthorized, canceled, or unsupported flights would also send a signal to carriers that the Department will not tolerate abuse of the program. However, OST does not have such a policy. Since 1990, we have questioned \$8.9 million in payments for subsidized flights. To date, OST has disallowed less than 40 percent of this amount because it sets policy on a case-by-case basis after our audits.

CENTRAL ARTERY/THIRD HARBOR TUNNEL

Mr. CARR. You have issued several reports critical of FHWA's oversight of the Central Artery/Third Harbor Tunnel Project in Boston. In your opinion, what are the problems with FHWA's oversight, and has the situation improved over the past year or so?

[The information follows:]

Several weaknesses in FHWA oversight have been cited in our reports. We found FHWA did not thoroughly and objectively consider technically feasible but controversial value engineering recommendations that might have achieved \$100 million in savings on the Project. In addition, FHWA did not ensure the State of Massachusetts has an independent external audit function able to objectively report findings and determine whether Project costs were reasonable and proper. We also found FHWA's oversight and administration of right-of-way acquisition were not sufficient to preclude the acquisition of a building not in the Project's right-of-way. The Division's oversight and administration of right-of-way also were not sufficient to ensure that less costly alternatives to purchase of easement and leasehold rights were pursued and attained by the State of Massachusetts.

In our opinion, FHWA's oversight of the Project has not improved over the past year. In December 1993, we prepared a Management Advisory Memorandum to the Secretary to express our concerns regarding FHWA oversight and escalating project costs. Attached to that memorandum was a briefing package prepared by OIG staff for the Inspector General. In developing the briefing, we noted that FHWA oversight was overwhelmed by the magnitude and complexity of the Project. FHWA's Massachusetts Division has assigned 7 engineers to oversee a \$7.7 billion effort involving approximately 1,000 State and consultant staff and more than 160 design, construction, and demolition work packages.

Mr. CARR. Costs on this project have gone from an estimated \$2.6 billion in 1985 to \$6.4 billion today. Do you believe we will see further cost overruns on this project, and if so, is there any action the Federal Government can take to control Federal costs?

[The information follows:]

Yes, in fact the project cost has continued to skyrocket and is currently estimated at \$7.7 billion. Approximately \$1 billion of the most recent \$1.3 billion increase was attributed to selection of a Charles River crossing alternative to replace the previously planned crossing referred to as "Scheme Z." Furthermore, the selected alternative was similar to the original Scheme Z, which had been approved by FHWA but discarded due to community opposition. FHWA funds approximately 85 percent of eligible project costs.

We do expect further problems in project cost control and funding. Since 1985, project cost estimates have increased by nearly \$4 billion and neither FHWA nor the State has demonstrated the ability to contain project costs. Furthermore, no firm completion date has been established for the project, since final design has not been completed and approved on two major sections: the Charles River Crossing and

the East Boston area. Also, an anticipated shortfall of interstate construction funding is expected to further delay project completion since limited noninterstate funds will have to be used on the Project. All these factors, plus inflation, will contribute to continuing problems in controlling costs.

Our December 1993 Management Advisory Memorandum to the Secretary expressed our concerns over escalating costs on the Project. The memorandum addressed potential measures the Federal Government could take to control Federal costs. We presented the following three options:

OPTION 1—MAINTAIN CONGRESSIONAL CAP AT \$5 BILLION

The 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) authorized sufficient funds to complete the remaining sections of the interstate system. Congress specifically allocated \$2.6 billion of interstate funds for Fiscal Years (FY) 1993 through 1996 to the State of Massachusetts for completion of the interstate system. Prior years' funding totaled \$2.4 billion. These funds have been used exclusively on the Project. After the approximately \$5 billion of interstate funds currently allocated for the Project runs out at the end of FY 1996, no other Federal funding for the Project should be permitted.

OPTION 2—CAP PROJECT AT CURRENT \$7.7 BILLION ESTIMATE

Since the design and funding level have now been identified for the Charles River Crossing Alternative, no further major cost increases are expected for the Project. Accordingly, FHWA participation in the Project should be limited to the Federal share of this amount, which totals approximately \$6.5 billion at an estimated participation rate of 85 percent. Since the State will receive approximately \$5 billion in interstate construction funds for the Project, the shortfall of \$1.5 billion could be funded by transfers from noninterstate programs.

OPTION 3—COMBINED CAP AND REDUCED PARTICIPATION RATE

Congress should act to provide more stringent controls over the growth of Project costs. Accordingly, after ISTEA expires at the end of FY 1996, any additional funds authorized beyond either the cap imposed by ISTEA or the cap established on the current estimate should be limited to a 50-percent Federal participation rate and be subject to stringent requirements. These requirements would include a clearly defined scope for the work needed, a firm completion date, and assurance the State will fund its local share of costs. This action would make the State and the Federal Government equal partners and provide increased incentive to the State to better manage Project costs.

FHWA recognizes that a financial plan is needed for this project but does not endorse a funding cap. They are currently exploring other options that can be effectively used to limit Federal participation and ensure sufficient funding to complete the project.

Mr. CARR. I believe you were investigating whether federal funds had been used to purchase unnecessary easements, leasehold rights, and a building on this project. Has that audit work been completed, and if so, what did you find?

[The information follows:]

We have completed work on the Audit of Right-of-Way (ROW) Acquisition on the Central Artery/Third Harbor Tunnel (Project) and the final report was issued March 10, 1994. We found that for the properties reviewed, appraisals were used, where appropriate, for establishing just compensation and adequate support existed for negotiated settlements. However, the FHWA Massachusetts Division's (Division) oversight and administration of ROW acquisitions were not sufficient to preclude the acquisition of a building not in the Project's ROW. The Division's oversight and administration of ROW also were not sufficient to ensure that less costly alternatives to purchase of easement and leasehold rights were pursued and attained by the State of Massachusetts. As a result, the Project incurred unnecessary costs for acquisition of a building (\$13 million) as well as easement and leasehold rights (\$11.8 million). The Federal share of these acquisitions totaled \$22.3 million.

MOTOR CARRIER SAFETY ASSISTANCE PROGRAM

Mr. CARR. At the Senate's request, you were conducting a review of FHWA's Motor Carrier Safety Assistance Program (MCSAP). What were your audit results, and what corrective action is FHWA taking?

[The information follows:]

We completed audits in FHWA Headquarters, four FHWA Regions, and eight states. The states were Virginia, the District of Columbia, Illinois, Ohio, Oklahoma, Texas, Colorado, and Utah. The overall objective was to evaluate the adequacy and effectiveness of FHWA's controls over the MCSAP. We generally found the states and the District had adequately calculated the maintenance of effort level for FY 1993, conducted uniform and quality inspections, and controlled MCSAP inventories. However, we identified four significant areas where improvements were needed.

Inspectors do not routinely issue a summons/citation when a vehicle or driver is placed out of service to act as a deterrent to driving an unsafe vehicle.

States have not established fully effective out-of-service verification enforcement systems to ensure that the out-of-service violations are corrected before the vehicle leaves the site.

FHWA has not ensured that all states are performing the required 30-percent Level I inspections or the 25-percent off-peak inspections.

FHWA has not analyzed or modified the allocation formula to provide incentives to states with innovative, successful, cost-efficient or cost-effective programs as required by ISTEA.

The final report on FHWA's Region 8 was issued on December 17, 1993. FHWA agreed to reinstate one state's tracking system to ensure that safety violations are corrected. In addition, the state is monitoring vehicles to ensure that safety defects are corrected prior to vehicles continuing on to their destinations. Draft audit reports for FHWA's Regions 3, 5, and 6 were issued between December 1993 and February 1994. We are also in the process of preparing a consolidated audit report to FHWA Headquarters for issuance in June 1994. We have not received a response from FHWA on these audits.

MOTOR FUEL TAX EVASION

Mr. CARR. Motor fuel tax evasion costs the Federal Government an estimated \$1.3 billion a year in lost revenue to the highway trust fund. Last year, we provided additional resources to your office to begin a more aggressive effort at combating this problem and stopping the drain of our highway dollars. What increased activities are you planning in fiscal year 1994, and will that be cut back under your fiscal year 1995 budget request?

[The information follows:]

The scope of the program is so large that a number of state and Federal criminal investigation agencies have combined their resources to form task forces around the country, and the OIG, representing Departmental interests, is an integral part of this effort.

The OIG is the only agency in these Federal and state multiagency task forces which represent the interests of the Department of Transportation. Other agencies in the task force have their own interests such as strictly law enforcement or the collection of state taxes. The OIG's role, besides law enforcement, is to ensure that the Department's program is made as whole as possible through the payment of Federal taxes actually due on motor fuel.

To accomplish this goal, we are participating in eight task forces around the country as opposed to four last year. We have expanded our resources into Motor Fuel Excise Tax investigations to over 9.5 percent and we are committed to investing 20 percent of investigative resources in FY 94 to the detection and prosecution of MFET violators. Our New England region almost doubles the current OIG average in Motor Fuel cases at over 18 percent of their resources.

OIG staffing of these task forces draws heavily on our AUO funds. The requested AUO funding level will result in a cut back in our participation in these task forces.

Mr. CARR. Last year, you told us that you had four special agents working on this problem. How many are assigned today?

[The information follows:]

Eight. We are participating in eight task forces around the country as opposed to four last year, although we are only a full-time member of five of these eight task forces. To date, 60 indictments, 12 convictions, 11 years of incarceration, 4 years of probation, and \$437,142 in fines, restitution and Federal recoveries have resulted from MFET investigations. When our budget allows, we will join other task forces already operating or join in new endeavors.

CONSTRUCTION OF UNNECESSARY NOISE WALLS

Mr. CARR. In an August 1993 audit, you identified \$12.6 million in Federal funding spent or approved on noise walls on five interstate projects in Pennsylvania, Virginia and Maryland which were not justified. How did these projects slip through FHWA's oversight, and is it likely that this is a nationwide problem?

[The information follows:]

The projects we identified as unjustified were the result of FHWA not requiring Pennsylvania to establish criteria which could be used in making cost/benefit decisions, and criteria which consider the frequency of human use when constructing walls along parkland. Walls that were built which did not meet state criteria or provided no noise mitigation benefits were approved by FHWA under "extenuating circumstances" or, as in the case in Maryland, under a "commitment" made in a 1983 environmental assessment document. We plan to begin an audit in March 1994 covering additional FHWA Regional Offices. This audit will determine if a nationwide problem exists.

Mr. CARR. Some of the examples in your report are worth discussing. In one case, a wall was built into a hillside which was much higher than the wall itself. Therefore, the wall offered little or no noise mitigation benefit. In another case, a State spent about \$480,000 to build a noise wall which helped only two residences and a swim and tennis club. Don't cases like these reflect serious negligence in the use of highway funds by States?

[The information follows:]

These noise walls were constructed because states either lacked criteria for making reasonable, cost effective build/no build decisions or decided not to follow their noise mitigation criteria. The states' decisions on the above cases raise serious questions about the use of Federal funds. FHWA can help ensure highway funds are used efficiently and effectively by reimbursing states only for noise mitigation projects meeting Federal and state criteria.

FEDERAL GUIDELINES—NOISE WALLS

Mr. CARR. Are there any Federal laws or guidelines stipulating the criteria under which Federal dollars can be used for noise walls? If not, should there be?

[The information follows:]

Title 23, Code of Federal Regulations, Part 772 states Federal funds may be used to mitigate noise if (1) a traffic noise impact has been identified, (2) the noise abatement measures will reduce the traffic noise impact, and (3) the overall noise abatement benefits are determined to outweigh the overall adverse social, economic, and environmental effects and the costs of the noise abatement measures.

FHWA's Office of Environment and Planning issued guidance memorandums to aid FHWA Division offices and assist State Highway Agencies (SHAs) in making noise mitigation policy decisions. In a June 1992 memorandum, FHWA encouraged the states to develop objective, quantifiable decision making criteria to promote better public understanding and acceptance of noise mitigation decisions. The memo strongly encourages SHAs to have written policies that are consistently and uniformly applied on a statewide basis and outlines several decision-making elements

for states to follow when defining reasonableness. Also, cost is identified in the June 1992 memorandum as one element to be applied when determining whether a wall is reasonable.

Regulations may need to be strengthened to ensure states only construct noise walls whose benefits outweigh social, environmental, and economic costs.

Mr. CARR. According to your report, FHWA approved the Pennsylvania and Virginia projects based upon "extenuating circumstances which negate the need for objective quantifiable decision-making criteria". You said in your report that if the State wishes to construct noise barriers for other than noise mitigation, it should pay for them without Federal support. What were the "extenuating circumstances" offered by FHWA in defending their approval of these projects?

[The information follows:]

FHWA provided the following response to the questioned noise barrier in Pennsylvania:

"The Mount Nazareth Academy noise wall was an issue which was identified in the Environmental Impact Statement (EIS) and was evaluated throughout the design and right-of-way acquisition phases of the project. The EIS recognize the unique nature of the property, and the highway's adverse impact on the property, both from a visual as well as noise impact. During the preliminary design phase of the project, it was recognized that because of the affected building's setting on a hill above the expressway, a fully effective noise barrier would need be approximately 40 feet high. It was perceived that such a massive barrier would be visually intrusive on the setting of the facility. During the final design/right-of-way acquisition phase of the project, several alternative wall designs were developed. These alternative designs were presented to the Mother Superior of the Convent, who concurred that the most acceptable mitigation strategy would be to construct a visually less obtrusive 'estate wall' for aesthetic mitigation. It was recognized by all parties at the time that such a wall would not effectively provide noise attenuation for all receptor sites on the property, however, some portions of the property would be mitigated. The selected barrier design was approximately 25 feet tall (an 8-10 foot brick wall was built upon an earth mound).

The Division Office was involved in this decision at the time and considered the proposed settlement to be an acceptable and cost effective compromise. We continue to believe the subject wall was designed and construction in full accordance with Federal requirements."

In response to the questioned walls in Virginia we received the following FHWA response:

"It should be noted that there have been very few (two or three) barriers qualifying under VDOT's 'extenuating circumstances' in the past four and a half years. This is a very small percentage of the total barriers evaluated and approved during the same period. This criteria has allowed VDOT to address unusual situations which could not have been easily or clearly defined ahead of time through its policy. From our perspective the 'extenuating circumstances' criteria has served VDOT very well and we do not believe it is being misused."

OVERWEIGHT TRUCKS

Mr. CARR. I would like to follow up on an audit you completed a couple of years ago. In that audit, you found that FHWA was not putting enough resources into the serious problem of overweight trucks, which cost taxpayers an estimated \$1 billion each year in premature roadway deterioration and as much as \$500 million annually in bridge repair and replacement. It has been over two years since that audit (November 1991). Is there any evidence that there are fewer overweight trucks running on our highways today?

[The information follows:]

FHWA has no evidence there are fewer overweight trucks running on our highways today. FHWA acknowledges that basic questions about the magnitude and location of the overweight vehicle problem remain unanswered. Accordingly, in December 1993 FHWA solicited public comments on an advance notice of proposed

rulemaking concerning the feasibility and costs of developing a procedure and system for determining the magnitude and location of illegal overweight vehicles.

Mr. CARR. You told us last year that FHWA prefers the role of encouragement to hard enforcement. Of course, that's only natural. We in Congress would also prefer to "encourage" departments to make changes, rather than insist on them. But sometimes encouragement is not enough. Has FHWA taken any steps to develop a tougher, more effective policy in this area? If not, what is the cause of their resistance?

[The information follows:]

FHWA continues to prefer the role of encouragement to hard enforcement, but is pursuing enforcement techniques it believes will improve the effectiveness of weight enforcement programs. In late 1993, FHWA initiated research with four states to study the application and effects of "relevant evidence" enforcement procedures used successfully in Minnesota. This research is expected to be completed in early 1995. Further, in December 1993 FHWA solicited public comments on an advance notice of proposed rulemaking concerning the feasibility of including specific, measurable goals in state enforcement plans, including the use of national standards for evaluating the adequacy of enforcement.

Mr. CARR. FHWA believes they do not have sufficient legal authority to sanction the States if they do not comply. Do you agree? If so, what specific authority do they require?

[The information follows:]

In our opinion, FHWA already has sufficient legal authority to sanction states if they do not comply. Sanction procedures can be implemented to reduce apportioned highway funds by 10 percent if a State fails to certify as required by FHWA regulations, or if the Secretary of Transportation determines that the State is not adequately enforcing State size and weight laws on Federal-aid highways. Also, sanction procedures can be implemented to withhold all National Highway System funds if State laws applicable to Interstate highways are not consistent with weight limits found in 23 U.S.C. 127. However, FHWA believes sanction procedures found in 23 CFR 657.21 do not clearly identify options available to a State for resolving conflicts between Federal and State laws, or issues involving degree of enforcement. Accordingly, in December 1993 FHWA solicited public comments by an advance notice of proposed rulemaking on what changes to Federal regulations are recommended regarding resolution of conflicts over the level of enforcement and conformance of State and Federal law.

STATE ENFORCEMENT OF OVERWEIGHT TRUCKS

Mr. CARR. The agency was also proposing an amendment to Federal regulations (23 CFR 657) which would require the States to include measurable enforcement goals. This could at least identify the magnitude of the problem. What is the status of this rulemaking?

[The information follows:]

FHWA published an Advance Notice of Proposed Rulemaking titled "Certification of Size and Weight Enforcement" on December 16, 1993. Therein the public was requested to provide comments on or before March 16, 1994 concerning the type of information and data states should submit to support an effective enforcement plan, and their annual vehicle size and weight enforcement certifications. FHWA expects to publish a final rule on this issue by late 1994.

BIG RIGGING ON HIGHWAY CONSTRUCTION PROJECTS

Mr. CARR. In last year's hearing, you told us "bid rigging is endemic to the highway construction industry. The potential for this easily committed crime rises as the amount of highway funding increases". Can you update us on your efforts and resources dedi-

cated to reducing the incidence of bid rigging on highway construction projects?

[The information follows:]

For fiscal year 1994, the OIG has allocated approximately 15 percent of its agent resources to conduct bid rigging investigations. This is a four-fold increase from the expenditure of three percent of our resources during the past two fiscal years.

During fiscal year 1994, we conducted two collusion detection bid rigging training classes for the states of Connecticut and Colorado which was attended by representatives from seven states and Canada. The OIG believes that the states, which are the actual letting authorities for Federal-aid contracts, should be the first line of defense in this area. In furtherance of this idea, since 1986, the OIG has provided collusion detection/bid rigging seminars to any state or city that has requested such training. We currently have 25 open investigations on bid rigging and we plan to increase our resources to combat this problem.

Mr. CARR. You told us last year that perhaps the most effective tool to detect and prevent bid rigging is a computer program called BAMS, which was developed by AASHTO and is available to all States. As of last year, however, only three states were actively using the system to detect bid rigging. How does BAMS work, and why aren't more states using it?

[The information follows:]

BAMS uses computer sorting techniques of bid results over a five year time period to discern patterns and trends which indicate potential collusion. A three to five year historical base is needed for BAMS to properly assess the market to determine whether or not collusion indicators are present. Again, BAMS is only a tool which provides indicators of potential collusion. Once collusion indicators are discerned, a very difficult investigation is necessary to either prove or disprove the indicators found by BAMS.

The reasons vary why the respective states are not using BAMS for collusion detection. One of the major reasons is cost. For an active collusion detection unit to be established, it would take at least three full-time staff years per state. Additionally, the state would have to load the data, which would entail entering a five year historical record. All of these actions require resources which the states claim they do not have.

Also, the states tell us they are in a "Catch 22" situation. BAMS is needed to detect collusion, but some state managers state there is no justification for establishing BAMS because they have no indication that collusion is occurring.

Many states believe that guidance to use BAMS for collusion detection/bid monitoring must come from the "top down" and not from the "bottom up." The impetus and resources for this action must come from the FHWA, according to our state sources, since the top management from the respective states are unwilling to dedicate the resources. Many states have also told us that the implementation of BAMS for collusion detection is a highly controversial local political issue since road contractors, the subjects of our investigations, are particularly active in local politics and have exerted pressure not to establish units in certain states.

Mr. CARR. Last year, you said you believed that FHWA should take action to ensure that states implement the BAMS system. Have they done so? If not, why haven't they?

[The information follows:]

The FHWA has not changed their philosophy to better ensure that states implement a bid monitoring/collusion detection system such as BAMS. The Federal-aid highway program has been described as a Federally assisted state operated program which is codified in Title 23 of the United States Code (USC). The legislative intent of the Federal-Aid Road Act of 1916, which provided the groundwork for the Federal-Highway Program, was clear that "primarily roads are local concerns and jurisdiction over them belongs to the States and local authorities. * * * [W]hile the States and local authorities ought not to be ousted from jurisdiction over roads within their borders, yet Federal funds appropriated for roads must be rigidly safeguarded. It must be seen to that every dollar of this money expended secures a dollar's worth of road construction and road maintenance. To accomplish this, very

large discretionary powers have * * * been given to the Secretary of Agriculture [FHWA Administrator].²

The FHWA has chosen to adopt a philosophy which respects the language of the Federal-aid program, but it has ignored the legislative intent of Congress to ensure that Federal funds are being properly spent. The FHWA believes the establishment of mandatory Federal requirements would interfere with the ability of the state and local governments to have maximum flexibility to manage their own Federal-aid program. The FHWA believes they do not have the authority to require the states to have a bid monitoring/collusion detection system such as BAMS. The FHWA has rigidly adhered to this philosophy, despite Title 23, USC, Part 1.9 (a) which states that "Federal-aid funds shall not participate in any cost which is not incurred in conformity with applicable Federal and State law, the regulations in this title, and policies and procedures prescribed by the FHWA (sic) Administrator."

Thus, the FHWA has no uniform policy on collusion detection/bid monitoring for the states or for its own contracts that it lets. The FHWA has shirked its programmatic responsibility to ensure that Federal funds are being properly safeguarded. Instead, the FHWA has relied on the criminal investigative process of the OIG to do the job.

ILLINOIS ROAD BUILDING REVIEW

Mr. CARR. Please explain the objectives of the Illinois Road Building Review, which is being conducted by your Office of Inspections and Evaluations. Are there indications that bid rigging may be worse in Illinois than in other States?

[The information follows:]

The FHWA and the Illinois DOT conducted a study of the Illinois one bid per contract problem. Their report, call the Quality Improvement Team (QIT) gave reasons for the problem and made recommendations to address the issue.

The OIG review and evaluation of the QIT report focused on three issues:

1. Evaluate the accuracy of the data used by QIT, reasonableness of the analytical process applied to the data and the accuracy of the universe determination.
2. Evaluate the effectiveness of QIT recommendations implemented by IDOT and also the remaining recommendations that are feasible and could increase competition.
3. Evaluate the adequacy of the support for IDOT's decision not to participate in BAMS.

The number of one bid contracts in Illinois was more than the combined total of the next five states and three times the number of the second state. A one bid contract per se is not illegal, but it is strongly indicative of the lack of competition which results in higher prices than competitively bid contracts. The OIG inquiry into the Illinois situation disclosed a number of systemic problems which we believe has contributed to this current situation. We have not determined whether or not this one bid situation was caused by collusion, therefore, a comparison with other states is inappropriate at this time.

FTA GRANTS MANAGEMENT AND OVERSIGHT

Mr. CARR. FTA has had a serious problem for years in effectively overseeing its grants. For many years your office has reported it as a "material weakness" of the Department, and the GAO included it as a major transition issue which the Clinton administration needed to urgently address. What progress has been made over the past year in ensuring more effective FTA oversight, and what improvements still need to be made?

[The information follows:]

While the Department has reported FTA grants management oversight as a high risk area since 1989, FTA has made significant progress towards correcting this area. In Fiscal Year 1993, FTA made structural and functional changes in its field operations to focus more on its oversight activities. FTA increase its use of contrac-

²H. Rep. No. 26, 64th Cong., 1st Sess., pp. 4-5, as quoted in *Mahler v. United States*, 306 F2d 713, 717 (1962).

tors to perform oversight reviews of the most vulnerable grantees. In addition, FTA drafted audit guidance for its grantees and an oversight remedies manual for its regional offices.

Although much has been done to improve this area, FTA needs to continue pursuing corrective actions. In his January 27, 1994 testimony before the Senate Committee on Governmental Affairs, the Comptroller General acknowledged significant progress had been made, but noted FTA's commitment to correct its grant oversight problems had lost momentum. Our validation of FTA's milestone plan for correcting this problem resulted in its inclusion in the Department's 1993 FMFIA Report to the President and Congress, once again designated as a high risk area. Specifically, we found FTA still needs to obtain OMB approval of the revised audit guidance, finalize its oversight remedies manual, and complete structural and functional changes in agency Headquarters to separate the grants award process from grants management. Subsequent to completing these corrective actions, FTA will need to validate the oversight mechanisms put in place to determine whether they accomplish what was intended.

Mr. CARR. Based on your results to date, how much Federal money is being wasted by the lack of definitive policy and/or poor FTA enforcement?

[The information follows:]

Our audit reports issued during fiscal years 1990 through 1993 identified \$517 million of FTA funds which could have been put to better use and \$43 million of questioned costs. FTA and OIG are currently resolving differences concerning \$315 million of the identified savings.

HOUSTON TRANSIT AGENCY AUDIT

Mr. CARR. In an audit last year, your team made an unannounced visit to check the maintenance condition of Houston metro buses. You had transit maintenance personnel inspect 11 buses. They found that each bus had between two and seven safety defects. Two of the defects were so serious that the buses were immediately removed from service. Nine of the 11 had safety defects which would have caused the vehicles to be denied a State inspection sticker in the State of Texas. Why do you think the oversight of Houston's bus maintenance was so bad?

[The information follows:]

FTA relied on a Houston METRO certification that buses were in safe operating condition and properly maintained. Contractor-operated buses were not inspected and maintenance records were not reviewed during the last triennial review made in June 1991. Triennial review guidelines did not require review of contractor-operated buses. We currently have an ongoing audit where we will address this issue to FTA Headquarters.

Mr. CARR. You also recommended that Metro refund \$843,000 and pay interest on Federal funds they were inappropriately holding, and that FTA deobligate \$2.4 million of Section 9 funds which Metro could not show were needed. Have these funds been turned back to the Federal Government?

[The information follows:]

Houston METRO refunded to FTA \$949,828 of accrued interest and excess grant funds on August 27, 1993. Concerning the \$2.4 million, FTA approved Houston METRO's request to use the Section 9 funds for a park and ride lot.

BUS SERVICE LIFE

Mr. CARR. FTA policy continues to allow replacement of transit buses at 12 years of service life without further justification. You have stated that, even though in some climates and operating conditions 12 years is reasonable. In other situations buses can last 15

years. However, with the Federal government paying 80 percent of a replacement bus, there is little incentive for a transit agency to keep its buses operating beyond 12 years. Do you have a specific recommendation as to how FTA should proceed in this area?

[The information follows:]

We recommended that FTA increase the minimum service life requirement to 15 years. We also recommended FTA issue and enforce guidance requiring grantees to collect accurate maintenance and other pertinent life-cycle cost data on all buses in their active fleets and use this data to cost-justify future applications submitted to FTA for bus replacement capital assistance. Further, we recommended FTA require grantees to periodically report maintenance cost data in sufficient detail to permit comparisons between the various transit operators. We have not resolved our report recommendations with the FTA. A request for resolution of our audit report recommendations was sent to the Assistant Secretary for Administration in November 1991 and is pending a final resolution decision.

Consistent with our recommendations, Battelle Memorial Institute, acting as a consultant, performed a study of the bus life criteria. They concluded that FTA should extend the minimum bus service life and consider development of a funding policy that would provide an incentive to transit authorities to extend the useful economic life of their buses beyond the minimum requirements. Although Battelle did not provide specific recommendations on how to accomplish the incentive policy, the study did offer suggested alternatives. They suggested increasing the bus service life to 15 years and giving transit authorities credits for buses that are used beyond this minimum requirement. They provided various alternatives to this option depending on how the credits would be earned, what they would be worth, and boundaries on the earning and use of credits. For example, earned credits could be applied for premature bus retirements allowing transit authorities to retire poor performing buses prior to age 15 without repayment of funds to FTA if the transit authority had earned sufficient credits. Other alternatives were suggested including our recommendation of requiring economic justification. Battelle did not evaluate any of these suggested funding alternatives and only suggested them to stimulate FTA into thinking about different funding policies that would offer more incentive for better utilization of buses.

Mr. CARR. Why do you suppose FTA is so resistant to changing their policy? Wouldn't this stretch their bus funding further, thereby allowing other communities to receive Federal funding for needed bus replacements?

[The information follows:]

FTA continues to resist changing the bus replacement policy because it believes that the 12-year period represents a reasonable balance of all the variables affecting local vehicle replacement decisions. FTA believes newer buses provide comfort and accessibility, thereby increasing ridership. However, ridership data to support this conclusion has not been provided by FTA. Also, FTA believes that newer buses require less maintenance and therefore have lower maintenance costs. However, during our audit we were told by transit authorities that some older model GMC buses were more reliable and therefore less costly. Also, transit authorities do not maintain the necessary cost data to make this conclusion. FTA does not support cost justifications because a requirement that transit authorities collect and use maintenance cost data to economically justify bus replacement applications would require a more in-depth review by FTA personnel. We concluded that a change in the bus replacement policy would significantly stretch available bus funds allowing other more needed transit projects to be funded. Our audit concluded that FTA could realize recurring, life-cycle cost savings of approximately \$198 million by increasing the minimum revenue service life to 15 years. Additionally, savings of \$116 million could be realized if the cost justification requirement resulted in extending the actual service life one more year to 16 years.

ST. LOUIS METROLINK PROJECT

Mr. CARR. On page 46 of the justifications, you advise us that one of your investigations disclosed employees of the prime contractor for the St. Louis Metrolink Project were instructed to shorten the lengths of anchor bolts used to attach bridge support beams to

the rail structure on the approach to the bridge crossing the Mississippi River. Your report says that "this has compromised the safety of the entire bridge structure". You go on to note that in June 1993, the company pled guilty to conspiracy and was ordered to pay a fine. But is the company also being required to fix the bridge at no cost to the Federal Government?

[The information follows:]

Based on DOT/OIG's investigative findings, Bi-State Development Agency, the transit operator, terminated the contractor and forced the contract into default. By law, the bonding company, at no cost to the Federal Government, removed the shortened bolts and completed the bridge structure to contract specifications.

Mr. CARR. Is this firm still working on the Metrolink project?

[The information follows:]

The contractor was terminated and is no longer working on the Metrolink project.

Mr. CARR. Have they been banned from working on federally funded transit projects, or do you feel that would be too extreme a measure?

[The information follows:]

At our request, the Federal Transit Administration (FTA) immediately suspended the contractor and the principal officers of the corporation from bidding on Federal-aid grant work. A three year debarment of the principal officers has been proposed by FTA. The final order has not yet been issued. The debarment of the corporation may be a moot issue since the corporation has gone out of business.

FUNDING TRANSIT CAPITAL PROGRAMS

Mr. CARR. The fiscal year 1995 budget proposes to cut transit operating assistance and increase capital formula grants. Does your work on rail and bus procurements suggest that the Federal Government should cut operating subsidies and put those funds into capital programs?

[The information follows:]

More conservation capital equipment funding policies coupled with better Federal oversight could achieve substantial economies in the transit capital assistance budget. Our audits of FTA grants for bus and rail car acquisition have disclosed underutilized and excess buses and rail cars. One of our audits estimated recurring replacement savings of \$198 million by increasing the minimum service life of a mass transit bus from 12 to 15 years. Another audit identified \$92 million in grant-ee bus acquisitions that exceeded FTA's guideline to maintain a 20 percent bus spare ratio. Our ongoing audits of rail car fleet size over a 10-year period at seven transit authorities identified 992 more cars than required to be in service during the peak period or an average spare ratio of 46 percent. At estimated replacement cost of \$1.5 million each, this investment in spare rail cars approaches \$1.5 billion at just these seven transit authorities. Because FTA has not acted to develop definitive policies for efficient investment in rail car fleets, opportunities exist to reduce the investment in spare rail cars as future grant applications to replace this equipment are reviewed.

We are unable to express an opinion on the advisability of transferring funds between transit capital and operating programs. Although we have identified opportunities to reduce capital assistance provided for transit rolling stock, other capital assistance projects such as maintenance facilities, transit stations, right-of-way, etc. have not been evaluated. Likewise, we have not performed any work to assess the economy, efficiency, or effectiveness of operating assistance funds.

RAIL CAR SERVICE LIFE

Mr. CARR. You found last year that the Dade County, Florida Transit Agency [Metro Dade Transit Authority] had spent up to \$31.8 million to acquire rail cars that it didn't need, and the Fed-

eral Government could avoid expenditures of up to \$32.9 million (present value cost) if it required changes in the transit agency's car overhaul and replacement cycle. Why were they buying unnecessary cars, and why didn't FTA's oversight catch the problem?

[The information follows:]

The MDTA acquired unnecessary rail cars because FTA relied on MDTA's 1978 projection of 202,000 ridership per day after two years of operation. However, in 1992 after almost eight years of operation, ridership averages only 47,000. The MDTA ordered the 136 rail cars in 1979. Further, the FTA had not established controls to protect the premature investment in excess rail cars by requiring transfer to other transit authorities or increasing their required service life to be equivalent to that specified in the FTA service life criteria for overhaul and replacement.

Mr. CARR. Did FTA agree with your findings? If not, why not?

[The information follows:]

The FTA Region IV response generally agreed with the findings. They stated the ridership forecast had been made during the energy crisis with future gasoline price projections exceeding \$2.50 per gallon at that time. Also, FTA stated disposition of excess cars must take into consideration that MDTA acquired 68 cars with local funds to take advantage of the federal safe harbor lease tax provision. In late 1993, MDTA indicated to FTA transfer of excess cars to other transit authorities is not feasible because with ridership growth, and the line extension to Palmetto opening scheduled for 1999, MDTA may need the cars and could not then economically order a small quantity. Concerning underutilization, the FTA region stated FTA headquarters guidance and evaluation is not available to determine a reasonable spare ratio and useful life extension. We agreed to defer the service life extension and also the reporting of the material internal control weaknesses under FMFIA to our national summary report later this year after completion of audits at nine transit authorities.

FISHERIES AND MARINE MAMMAL PROTECTION LAWS

Mr. CARR. In fiscal year 1994 the Coast Guard planned to increase their resources dedicated to enforcement of U.S. fisheries and marine mammal protection laws. However, last year we discussed your audit which found that the Coast Guard had no performance measurement system to determine the effectiveness or efficiency of their fisheries enforcement efforts. I understand they produced a plan late last year to address that situation. Have you reviewed their plan, and if so, is it adequate to address this problem?

[The information follows:]

A Coast Guard study group issued the Fisheries Enforcement Study in December 1993. As part of their study, the group was tasked with developing a method for quantifying and projecting the Coast Guard's at-sea enforcement asset requirements. The specific tasks of the Study Group included development of standard quantifiable methods for determining the Coast Guard's at-sea/air fisheries enforcement requirements based upon analytical models. According to the study, the computer models are to be used on a recurring basis to determine what Coast Guard resources are required to "promote compliance and ensure effectiveness of varying management regimes."

Our review of the plan and discussion with Coast Guard personnel shows that progress is being made in measuring processes such as determining the number of fisheries, boardings, and violations. However, the Coast Guard has not met the full intent of the Government Performance and Results Act of 1992 in that Measures of Effectiveness for these fisheries law enforcement areas have not yet been developed and implemented. The Coast Guard is aware of the need for additional review and improvement in measuring fisheries law enforcement and anticipates having the appropriate performance measurement standards established by the end of calendar year 1994.

COAST GUARD'S DEFENSE READINESS ACTIVITIES

Mr. CARR. Similarly, you recently found significant problems in the Coast Guard's planning and monitoring of its defense readiness activities. You found that most of the Coast Guard's plans detailing how they would respond in wartime are seldom updated—over half of the unit plans, for example, have not been updated since 1986. Considering the tremendous changes which have taken place since 1986 in our defense requirements, it's incredible that the Coast Guard would be so negligent. What is causing such weak management?

[The information follows:]

Coast Guard management did not view readiness planning as a high priority. Therefore, district commanders and other personnel were not motivated to keep plans updated. In addition, individual command priorities, which allowed use of planning billets to perform non-readiness tasks, minimized the effort devoted to readiness.

Mr. CARR. You also found that many Coast Guard units are not even aware of their responsibilities should a contingency arise. Would you elaborate on this finding?

[The information follows:]

We found certain Coast Guard units were unaware of their mobilization responsibilities because these units did not have in their possession the master plans for their geographic areas or the latest approved version of the individualized plan related to their specific contingency missions.

COAST GUARD'S MILITARY EXERCISE PROGRAM

Mr. CARR. Much of the Coast Guard's readiness funding is for participation in military exercises. Your audit found that the Coast Guard mismanages its exercise program. Headquarters receives little data on military exercises, and what data they have is inconsistent with that kept at field units. Also, problems identified during exercises are seldom effectively or quickly resolved. Why should we pay for the Coast Guard to participate in military exercises when they aren't using those activities either to measure their readiness status or take remedial action where they need it?

[The information follows:]

The Coast Guard has a major military readiness mission in the defense of coastal areas and major ports. Participation in readiness exercises is a necessary training activity to help ensure Coast Guard personnel are prepared should a major contingency arise. Top level Coast Guard management needs to ensure that more emphasis is placed on monitoring military readiness exercises and promptly resolving related problems.

COAST GUARD'S TRAINING ACTIVITIES

Mr. CARR. Military exercises are only a portion of the Coast Guard's overall training program for active duty personnel. In a June 1992 audit, you found that the Coast Guard was not efficiently or effectively running its overall training activities. You said "poor records, poor planning, and frequent turnover have yielded significant deficiencies in the Coast Guard's training program". It seems now we've seen the problem in its overall context, and in specific mission areas such as defense readiness. Why does the Coast Guard seem unable to put together and execute a good training program?

[The information follows:]

At the time of our audit, the Coast Guard had not developed a comprehensive training database, established procedures to record the complete training status of its members, assigned priorities to its training requirements to assure critical operational needs were met, and standardized the methodology used to prepare training plans. All of these factors contribute to the Coast Guard's inability to develop and execute a good training program.

Mr. CARR. Is there anything Congress and this Committee can do to help improve this situation?

[The information follows:]

The Coast Guard has targeted December 1994 for implementing a new training database. We have no evidence that implementation is not proceeding as scheduled.

FLIGHT PAY

Mr. CARR. You have recommended that the Coast Guard stop awarding flight pay to all aviation personnel assigned to flight stations, instead making such payments only to those actually in a flight status. You said the Coast Guard could save between \$550,000 and \$1,100,000 annually by making such a change. The Coast Guard was studying this issue through an Informal Board of Investigation. Where does it stand today? Have they agreed to make this change?

[The information follows:]

The Coast Guard completed its review of flight pay. The review identified \$899,100 of payments that were not earned.

Coast Guard improved controls in this area when they sent a September 7, 1993 message to all Districts which clarified the definition of flight time requirements for the purposes of entitlement to hazardous duty incentive pay (HDIP). This message states that "in order for a member's flight time to be counted toward these requirements, the member must:

A. Be required by competent written orders to participate in frequent and regular aerial flight during the period in which the flight takes place, and

B. Be directly involved in, or personally performing, one of the following while the aircraft is in flight: (1) A function for which qualified and which directly contribute to an essential element of the aircraft's flying mission (examples include a crew member or technical observer position), or (2) Syllabus training for a specific crew member position in that aircraft type."

The message also states that Coast Guard members who do not meet this prescribed criteria are considered passengers and their flight time may not be counted towards entitlement to HDIP.

FLIGHT TIME RECORDS

Mr. CARR. Has the Coast Guard agreed to develop a uniform system to record, monitor and calculate the flight time of aviators, instead of leaving it up to the individual air stations? If so, when will this be operational in the Coast Guard?

[The information follows:]

Coast Guard agreed and modified the Aeronautical Maintenance Management Information System (AMMIS) in March 1993 to produce flight pay reports based on aircrew information recorded on Aircraft Flight Records (Form CG-4377). The AMMIS End User Manual became available on September 1, 1993 and lists the following reports available for monitoring flight pay: (1) Personnel Flight Pay Status Report, (2) Personnel Not Entitled to Flight Pay for 3 Months, and (3) Personnel Flight Pay Summary Report.

FLIGHT PAY ENTITLEMENT

Mr. CARR. Much of the flight pay entitlement currently paid by the Coast Guard was initially intended as "career incentive pay",

with the objective of keeping retention rates high for aviation personnel. According to the Coast Guard, retention rates are now at an all time high for aviators. However, you might say flight pay is on autopilot, because it continues to be paid even when retention is not a problem. Should Congress consider legislative changes if flight pay is no longer needed as an incentive to keep aviator retention rates high?

[The information follows:]

In our view, during these austere times, it does not appear reasonable to continue paying Aviation Career Incentive Pay (ACIP) when Coast Guard retention rates are at an all time high. However, as a matter of fairness, Coast Guard aviators should be treated equitably with other military services. The General Accounting Office (GAO) is currently performing an audit titled, "Review of Military Special and Incentive Pay," which plans to look at the extent ACIP is paid to pilots with skills whose retention rates are high. Depending on the results of GAO's review, Congress may want to consider legislative changes, if necessary, to achieve uniformity in administration of ACIP between Coast Guard and other military services.

COAST GUARD'S SPARE PARTS

Mr. CARR. The Coast Guard has had continuing problems in its management and planning of spare parts. In a July 1993 audit, you found that more than one-third of the inventory you sampled at one of the Coast Guard's large supply centers (Curtis Bay, Maryland) was overstocked and potentially excess. Doesn't the Coast Guard have management systems sufficient to recognize when they are overstocked by one-third of their inventory?

[The information follows:]

Coast Guard needs to improve its controls over logistics management, including the quantity and quality of inventory spare parts. The Coast Guard maintains a different system for its three inventory locations for aircraft, general and electronics, and ship parts. For ship parts, the Coast Guard did not have a system to recognize when its inventory was overstocked. Coast Guard developed a new computerized inventory model which will identify economic order quantity, economic repair quantity and maximum stock level for its inventory. Coast Guard plans to implement its new computer model for ship parts in early calendar year 1994.

Mr. CARR. You estimated it costs the Federal government \$5.1 million a year to retain overstocked parts in the Coast Guard. Are these parts which are simply excess to the Coast Guard's requirements, and should be disposed of?

[The information follows:]

Of the \$61.1 million of SCCB inventory we reviewed, \$22.3 million was over maximum stockage levels. Using SCCB holding cost of 23 percent of current unit prices, we computed the \$5.1 million annual cost to the Government to retain inventory. The Coast Guard reviewed its inventory and agreed that \$21.8 million of inventory exceeded the maximum stockage levels. However, the Coast Guard decided to retain most of the inventory for various reasons such as additional contingency reserves.

COAST GUARD ACADEMY

Mr. CARR. Have you any insight as to why it should cost the Federal taxpayer over \$48,000 per year to graduate someone from the Coast Guard Academy? Does this seem like a reasonable figure to you?

[The information follows:]

This amount is calculated by dividing the Academy's annual budget by the number of cadets, and adjusting for attrition. Budgeted expenses include cadet salaries (at about \$540 per month), faculty and staff salaries and benefit entitlements, and

expenses for the cadets' food, housing, clothing, textbooks, travel, and medical needs. The budget also includes expenses for the Academy's training ship and boats, communications, utilities, equipment, buildings and grounds maintenance, and administrative expenses. In our opinion, the cost to graduate a cadet from the Coast Guard Academy seems reasonable in comparison to costs to graduate cadets at the other service academies (U.S. Naval Academy—\$48,500, U.S. Military Academy—\$57,000 and U.S. Air force Academy—\$61,750), but unreasonable compared to the top universities.

The real question is perhaps not whether the U.S. should be spending \$48,000 to \$62,000 per student, per year for the academies, but whether it is time to address whether the federal government should be running these "universities" at all. All the services, including the Coast Guard, have officer and other training programs. All have abundant personnel, and are in fact finding ways to get rid of people. Almost all universities have comparable courses of study and academic programs. The services send more senior personnel for advanced training and degrees, including at such universities as Harvard (which is less expensive than the academies). The real question is whether the government should continue to run colleges, with football teams and the other "Big Ten" trappings, and at roughly twice the cost of Harvard.

ENTERTAINMENT FUNCTIONS AT ACADEMIES

Mr. CARR. In an audit last year, you found that the Academy used appropriated funds to pay for receptions, dances, formal dinners, and other special entertainment functions for cadets. I understand the Coast Guard believed these expenses were proper because they were necessary to prepare a cadet for a military officer's career. Do you agree? Has the use of Federal funds for entertainment functions at the Academy been discontinued?

[The information follows:]

We do not agree that social events and special dinners such as the Christmas Formal Dinner, Winter Festive Meal, and Sports Banquet are a necessary part of training required to teach etiquette and social skills to cadets to prepare for a military officer's career. In our opinion, instilling social skills and table manners in the young men and women who enter the Academy should not be the responsibility of the Academy. While the Academy suspended use of appropriated funds for those events which are primarily social in nature, such as dances and parties, the Academy intends to continue the special dinners on a once-per-month basis pending further guidance from Coast Guard Headquarters.

Mr. CARR. Is it common practice at U.S. military academies to use appropriated funds for such activities?

[The information follows:]

It is not common practice to use appropriated funds for social activities at service academies. We interviewed staff at the U.S. Military Academy at West Point and the U.S. Merchant Marine Academy at Kings Point to obtain information on their cadet entertainment activities. Discussions with staff at the Directorate of Cadet Activities at West Point disclosed that special meals and dances held for cadets were paid from nonappropriated funds. Guests of the cadets were charged to attend these functions. Similarly, interviews with the Social Director's staff at the Merchant Marine Academy disclosed that cadet dances were paid for either by the cadets themselves, by their student activity fees, or by nonappropriated funds.

Mr. CARR. At the request of Congressman Gejdenson, I believe you were looking into allegations of harassment and stolen government property involving a Coast Guard civilian employee at the Academy. I understand the investigation has been completed. What can you tell us today about that investigation, and are you fully satisfied with

[The information follows:]

We completed an inquiry concerning allegations against the civilian Grounds Shop supervisor at the United States Coast Guard Academy. Prior to our investigation, the Coast Guard had conducted its own administrative investigation, arising from

grievances it received describing similar allegations. The Coast Guard investigation determined that the employee had misused government personnel and vehicles, misappropriated surplus property, been abusive to subordinates and committed time-and-attendance abuse. The investigating officer recommended the employee be removed. Upon consideration of all of the circumstances, however, the Coast Guard elected to suspend the employee for 45 days.

Further inquiry the OIG uncovered additional instances of largely similar misconduct and poor supervisory judgment on the part of the subject employee. Our findings were presented to the Office of the United States Attorney for the District of Connecticut, which declined criminal prosecution. Since these additional acts had not been addressed in the initial disciplinary action, we so noted such deficiencies in the Coast Guard's lack of oversight of this employee and his work unit. We forwarded our findings to the Commandant of the Coast Guard for corrective action on January 21, 1994. Our report recommended the removal of the employee. We are awaiting their response.

Mr. CARR. Is this person still employed at the Academy?
[The information follows:]

This person is still employed at the Academy.

COMMISSARY AND EXCHANGE MANAGEMENT

Mr. CARR. At the Commandant's request, you were conducting audits of the Coast Guard's ten largest exchanges. How many have been completed, and have you found any problem trends?

[The information follows:]

We have completed audits of eight of the Coast Guard's major exchanges requested by the Commandant and also performed an audit of exchange operations at the Coast Guard Academy in New London, Connecticut. The objectives to the audits were to review exchange operations to determine the adequacy of internal controls, accuracy of financial reports, accountability for cash and other assets, and compliance with prescribed operating procedures and regulations. We have issued seven final reports and one draft report. The reports disclosed significant weaknesses in internal controls involving: completion of required annual audits, correction of audit deficiencies, accountability and security over cash, personal property, merchandise, and computer systems, collection of concession income, procurement and payment functions, and supervision and segregation of duties. As a result of these weaknesses, the exchanges were highly susceptible to fraud, waste, and abuse.

Mr. CARR. You were planning to issue a "capping report" to Coast Guard headquarters at the conclusion of your work which summarized your overall findings. Has that been submitted, and if not, what is your timetable for doing so?

[The information follows:]

No, a capping report has not been submitted to the Coast Guard since final reports were issued for only six of the eight locations audited. We intend to issue the capping report after the remaining two reports have been completed. We anticipate issuing our final audit report on the Coast Guard's Air Station Cape Cod exchange by the end of March 1994. We are also preparing our draft audit report on the Support Center Kodiak exchange which also should be issued by the end of March 1994. The final audit report on the Kodiak exchange will be issued upon receipt of the Coast Guard's response to the draft report. We anticipate issuing the capping report in July 1994.

SALE OF CIGARETTES AT EXCHANGES

Mr. CARR. Because it allows the tax free sale of cigarettes, the Coast Guard has established a system to ensure that cigarettes are not procured through its exchanges for resale on the open market. People buying more than six cartons of cigarettes at a time must sign a log book, and no one is allowed to buy more than 20 cartons at a time. However, in an audit at Air Station Brooklyn, one of the Coast Guard's largest exchange operations, you found that over a

five-day period, there were 123 instances where patrons bought more than six cartons of cigarettes, less than half of which showed up in the log book.

In addition, 27 of those instances broke the 20-carton limit, with some patrons buying as many as 46 cartons at a time. Shouldn't the Coast Guard be more diligent in ensuring that it's sale of cut-rate cigarettes is not used to promote the sale and use of cigarettes outside the exchange system?

[The information follows:]

The Coast Guard should be more diligent in ensuring it's sale of cigarettes do not result in the distribution of cut-rate cigarettes outside the exchange system. Although air Station Brooklyn had policies for recording and restricting sales of cigarettes in excess of certain limits, the Air Station did not ensure the exchange complied with these procedures. In fact, during the audit, when the Air Station was advised by the OIG auditors the 20 carton limit was not being adhered to, the Air Station increased the limit to 30 cartons. Since cigarette sales increased the total profitability of the exchange, the Exchange Officer questioned the need for enforcing the sales limit.

In response to the audit report, the Air Station reestablished the 20 carton limit, revised the log used to record cigarette sales, and directed the log be maintained at each cash register. The log now requires a cigarette purchaser to record his/her printed name, signature, identification number, and number of cartons purchased. Posters stating this policy and New York State law will be displayed in areas where cigarettes are stocked and sold. The Air Station will also review the log daily and compare the log with the sales tapes on a random basis.

SOURCES OF EXCHANGE INCOME

Mr. CARR. A couple of years ago, the Coast Guard advised the Committee that alcoholic beverages and cigarettes account for over 25 percent of total sales at their retail exchanges. (This compared to only 6 percent in the DOD). Since these operations turn a profit which is used in part for recreational and entertainment programs for Coast Guardsmen and their families, isn't there a disincentive for the Coast Guard to aggressively monitor and restrain a major source of exchange income?

[The information follows:]

Sales of alcoholic beverages and cigarettes continue to be a major source of income for the exchanges. For Non Appropriated Fund Activity (NAFA) Fiscal Years 1990 through 1992, alcoholic beverage and cigarette sales averaged \$57 million per year, accounting for 41 percent of the average annual sales of \$139 million. At Air Station Brooklyn, for example, sales of cigarettes and alcoholic beverages totaled \$5 million, or 69 percent of the Air Station's \$7.2 million in sales for NAFA FY 1992. It is not surprising therefore, that the Coast Guard would be less than fully diligent to undertake any aggressive efforts to restrict, reduce, or limit these sales.

Since the Coast Guard prides itself on being smoke-free, and now the other services are following suit, and since consumption of alcohol during duty and on government property is forbidden, perhaps it is time the exchanges should send a better message to Coast Guard employees, and cease the sale of cigarettes and alcohol.

ENFORCEMENT OF BOAT MANUFACTURING STANDARDS

Mr. CARR. Like NHTSA's oversight of automobile manufacturers, the Coast Guard is required to oversee recreational boat manufacturers and compel them to recall boats which have serious safety deficiencies. You have found weaknesses in the Coast Guard's program. Would you explain those problems to us, and tell us what is needed to address the problem?

[The information follows:]

Coast Guard did not always ensure boat owners were notified of safety defects or adequately monitor recall campaigns. We identified 6 of 48 recall campaigns where manufacturers did not notify boat owners when serious defects in boats were identified although Coast Guard notified the manufacturers to initiate a campaign. In four of six recall campaigns, manufacturers went out of business but Coast Guard did not issue a news release or include manufacturers in the Boating Safety Circular as required. Coast Guard also took no action on two recall campaigns where manufacturers still in business failed to notify the public.

Coast Guard also did not adequately monitor recall campaigns to ensure manufacturers responded within required time frames. Of 48 recall campaigns reviewed, we identified 47 where required reports were not received within time frames specified. In 12 of 47 recall campaigns, the manufacturer had delays of 6 to 27 months.

To correct the problem, Coast Guard needed to (i) comply with Commandant Instruction M16761.2B for notifying owners of defective boats when a manufacturer is out of business and notify boat owners for the four recall campaigns identified in our report, (ii) establish policy so Coast Guard is required to notify owners of defective boats when manufacturers still in business fail to do so, (iii) review 72 recall campaigns and ensure information in the data bases is correct and complete, and (iv) develop management reports which identify recall campaigns requiring follow-up. For each recall campaign requiring additional work, Coast Guard should determine if the manufacturer has notified boat owners. If not, Coast Guard should take action to notify the boating public of known defects.

Coast Guard took corrective action. It published recall campaigns in the Boating Safety Circular for the four out-of-business manufacturers, established procedures for notifying owners of defective boats when the manufacturer is no longer in business, reviewed all 72 recall campaigns, and established monthly status reports.

Mr. CARR. In theory, even if some manufacturers evaded the recall notice, the Coast Guard might detect such abuses through its visits to boat manufacturer facilities. However, past audits have found that the Coast Guard is not meeting its goal for factory visits, and even when they do select a facility to visit, they let the facility manager know ahead of time and generally do not focus on compliance issues.

Therefore, it would appear that manufacturers have little to fear if they ignore the Coast Guard's recall directives. Would you agree? [The information follows:]

Based on a limited review of factory visits, I agree manufacturers have little to fear if they ignore Coast Guard's recall directives. We found that only one of 72 recall campaigns was initiated because of factory visits. In the future, manufacturers will have even less to fear because Coast Guard has proposed to eliminate the factory inspection program in 1995.

BOATING SAFETY

Mr. CARR. The Department is proposing to eliminate boating safety grants this year, based on a belief that boating safety is improving. If we are truly seeing improvements in boating safety, wouldn't it also make sense to reduce the Coast Guard's budgetary resources dedicated to oversight of recreational boat manufacturers?

[The information follows:]

Based on our review, boating safety grants and oversight of recreational boat manufactures have different objectives. Boating safety grants are used by States to educate the boating public and to enforce laws for using recreational boats. Coast Guard oversees recreational boat manufacturers to ensure boats are constructed to meet safety standards through factory inspections and boat compliance testing. I agree it makes sense to reduce budgetary resources for the factory inspection program and it appears Coast Guard agrees with this. As part of the audit follow-up process, we were advised coast Guard has proposed to eliminate the factory inspection program. Coast Guard officials stated factory visits are discretionary inspections and will cut 15 positions and \$177,000 in travel costs from the 1995 budget. However, I would not recommend reducing resources for compliance testing of recreational boats since this testing continues to identify unsafe boats. Eliminating the in-factory inspections while retaining the post-manufacturing compliance testing is

consistent with how other operating administrations within the Department, such as the National Highway Traffic Safety Administration, accomplish oversight.

RAIL SAFETY OVERSIGHT

Mr. CARR. Over the past year, there have been quite a few accidents involving railroads. Is FRA doing an adequate job in overseeing rail safety?

[The information follows:]

We do not have any recent audit experience to judge FRA's oversight of railroad safety. However, since 1989, the General Accounting Office (GAO) has issued 11 reports on railroad safety. Their most recent draft report, "RAILROAD SAFETY: Continued Emphasis Needed for an Effective Track Safety Inspection Program," was issued January 3, 1994. This audit followed up on previous audits and concluded that FRA has improved its track inspection program and has a sound strategy for addressing issues GAO identified in previous reports. GAO found that FRA has enhanced its daily oversight of track safety activities; communications with participating states has improved, avoiding duplicative inspection; and the uniformity and consistency of FRA's application of track regulations and reporting of defects have improved. However, the report maintains that additional actions involving data collection and modeling, inspection record review, and excepted track enforcement authority could further strengthen FRA's inspection program. The Department generally agreed with the draft report's recommendations that provided proposed corrective actions.

Mr. CARR. Have you done any recent work in rail safety?

[The information follows:]

We have not issued any recent audit reports on rail safety. However, we currently have two ongoing audits concerning railroad safety. The audit of FRA's Railroad Accident/Incident Reporting System is evaluating the adequacy of FRA controls for ensuring the accuracy and completeness of accident reports submitted by the railroads to FRA. We intend to make recommendations to improve the accuracy and completeness of railroad accident reports. The other current audit is evaluating the effectiveness of FRA's implementation and enforcement of certification program for locomotive engineers. This audit just recently began. In addition, our 1994 Annual Audit Plan contains two railroad safety related audits. First, the Audit of the Inspection of Railroad Bridges will evaluate the adequacy of FRA's controls for monitoring carriers' railroad bridge inspection programs to provide reasonable assurance that the bridges are properly inspected for safety. Second, an Audit of the Railroad Safety Program will assess the effectiveness of the FRA's Railroad Safety Program in ensuring the railroads comply with federal safety laws and regulations.

AMTRAK'S INSPECTOR GENERAL

Mr. CARR. You regularly look at the capital investment programs of DOT, but I'm not aware the Amtrak inspector general has released any audits of the Northeast Corridor Electrification Program. You look at the effectiveness of various headquarters programs in the modes, but I haven't seen similar work from the Amtrak IG. To your knowledge, is Amtrak's IG performing program evaluation audits, like the ones your office performs?

[The information follows:]

I am familiar with Amtrak's audit program so I can not say whether or not they conduct program evaluation audits.

Mr. CARR. Is the Amtrak Inspector General's charter similar to yours? Can you audit Amtrak's programs if you find it necessary, or are you expected to defer to them?

[The information follows:]

The Amtrak Inspector General's charter is similar to the DOT Inspector General. The major difference is that the Amtrak IG is appointed by the head of Amtrak, as provided by the 1988 amendments to the IG act, while the DOT IG is appointed by the President with the advice and consent of the Senate.

Inasmuch as Amtrak does have its own inspector general, we would normally defer to them with respect to routine audits of Amtrak programs. If, however, we

felt a need existed to audit the use of federal grant funds provided to Amtrak by DOT, we would be within our authority to do so.

Mr. CARR. Do you even receive the audit reports from Amtrak's inspector general?

[The information follows:]

We do not regularly receive any audit reports from the Amtrak Inspector General.

JUSTIFICATIONS

OIG'S BUDGET REDUCTIONS

Mr. CARR. In the fiscal year 1995 budget request, the Office of Inspector General receives a larger reduction than any other part of the Department of Transportation. While the Department's overall budget represents an increase over fiscal year 1994, the Department proposes a 7 percent reduction in your budget. Why did the Department believe your office could absorb a larger cut than other agencies?

[The information follows:]

As a result of the President's Executive Order reducing federal employment, the Department, and the government as a whole, is compelled to cut back in some areas. In so doing, the Secretary is faced with a number of tough choices in terms of which areas in which to make the required reductions. Our submission reflects the administration's decisions as to how best to carry out the mission of the Department of Transportation.

OIG'S BUDGET REQUEST TO OST

Mr. CARR. What was your proposal to the Office of the Secretary, in both dollars and staff years, for fiscal year 1995, and how does that compare to the final budget request?

[The information follows:]

The Office of Inspector General's proposal to the Office of the Secretary for fiscal year 1995 was for \$48,558,000 and 489 staff years. The final budget request for fiscal year 1995, which was submitted to the Committees on Appropriations, was for \$38,319,000 and 445 staff years.

OIG STAFFING

Mr. CARR. The National Performance Review targeted administrative personnel as prime candidates for personnel reductions. Do you consider the OIG to be entirely administrative in nature? Why or why not?

[The information follows:]

No. The OIG serves a critical oversight role in helping to identify areas of fraud, waste, and abuse within the Department of Transportation. In fulfilling this role, we require a staff capable of conducting audits, inspections, evaluations, and investigations. As of October 30, 1993, we had onboard staff of 485, of which 396 are in job series associated with auditing, inspections and evaluations, and investigations. Thus, over 80 percent of the OIG staff is assigned to non-administrative positions.

The departmental savings resulting from our oversight is sizable. For instance, in FY 1993, the OIG: (1) issued 2,446 audit reports, identifying \$488.9 million in funds to be put to better use, \$202.5 million in questioned costs, and \$126.8 million in unsupported costs; (2) obtained management decisions to seek recoveries, or to more effectively use resources, amounting to \$570.4 million; and (3) achieved investigative results of 150 indictments and 95 convictions, court-ordered restitutions/civil judgments of \$23.1 million, fines of \$2.5 million, and federal recoveries of \$.6 million. To say, therefore, the OIG is entirely administrative is to overlook the important contributions we continue to make towards improving departmental operations.

OIG'S ALLOCATION OF STAFF REDUCTIONS

Mr. CARR. You allocated 33 of the staffing reductions to auditing and two to policy and planning. All of the other offices (IG central offices, inspections and evaluations, and investigations) received no cuts. Why did you decide to allocate the cuts in this manner rather than a more balanced reduction across all of the offices?

[The information follows:]

My decision to eliminate positions from Audits and Policy, Planning, and Resources was based on several factors. First, Audits is by far our largest organization, representing approximately 70 percent of the OIG's entire staff (even after the 31 position reduction). While the 31 position reduction will impact the number and type of audits performed, we hope to minimize the impact through several initiatives, including: consolidation of the three headquarters offices into two offices; realignment of functional, departmental, and Operating Administration responsibilities; and transfer of most Department-wide audit projects to the regional offices. Second, the reduction of 4 positions from Policy, Planning, and Resources is consistent with the President's direction, the results of the NPR, and DOT's downsizing efforts to streamline administrative support functions. In addition our plans to decentralize a number of administrative support to our regional managers allows us to absorb the reductions with no loss of efficiency or service. Third, my decision not to cut Investigations was based on the sizable workload this office has supported in the past and continues to support in the present. To cut Investigations below the current 84 position level, would be to seriously jeopardize our efforts in a number of important areas, including suspected unapproved aviation parts and motor fuel excise tax evasion. Fourth, since establishing Inspections and Evaluations two years ago, this office has witnessed a growing workload of requests from Congress, the Department, and the public. Due to this increase, and the National Performance Review's (NPR) recommendations regarding the need to improve the timeliness, relevancy, and accuracy of our reports, I decided to increase Inspections and Evaluations from 20 to 25 positions.

CFO FUNDING

Mr. CARR. Since fiscal year 1993, Congress has limited to \$1,000,000, the amount of your funding which can be used annually to implement the Chief Financial Officers (CFO) Act. How much is included in your fiscal year 1995 request for that activity?

[The information follows:]

Our fiscal year 1995 budget request for CFO Act audit work is only \$1 million, even though we estimate we would need at least an additional \$2.6 million annually to comply fully with the requirements of the CFO Act. We limited our request to \$1 million for two reasons. First, the Department and OMB imposed a total dollar limitation for the overall OIG budget. Requesting more than \$1 million for CFO Act audit work would have required reductions in other areas of the OIG budget to stay within the mandated budget ceiling. Second, and more importantly, we viewed the \$1 million funding limitation imposed for fiscal years 1993 and 1994 as an expression of Congressional intent on the amount of OIG resources which should be allocated to CFO Act audit work, and we saw no reason to expect the Congress to change its stance on this issue. Accordingly, we decided for fiscal year 1995 to postpone requesting any of the increases necessary to achieve full scope auditing of all covered accounts.

Mr. CARR. The Department recently announced that the Assistant Secretary for Budget and Programs would serve as the Department's chief financial officer. As part of that transition, fiscal year 1994 funds for CFO and other financial management activities were transferred to that appropriation, and the fiscal year 1995 budget reflects that move. Should the cost of the IG's CFO-related activities also be budgeted in the appropriation which supports the Department's chief financial officer, in order to ensure more centralized control of the department's CFO activities? If not, why not?

[The information follows:]

The transfer of funds for CFO and other financial management activities referenced in this question related only to one office. The Office of Financial Management is the policy setting organization within DOT for all financial management activities, including those related to the CFO Act requirements. In addition, this office handles accounting operations for the entire OST organization and serves as the Department's focal point for all FMFIA activity, including preparation of the Secretary's annual FMFIA Report to the President and Congress. The Office of Financial Management, along with its appropriation for all these financial management activities, has been transferred from the Assistant Secretary of Administration to the Assistant Secretary for Budget and Programs. However, each Operating Administration still budgets separately for CFO-related activities within its organization. Therefore, the appropriation supporting the activities of the Assistant Secretary for Budget and Programs does not constitute a single centralized appropriation supporting all CFO-related activities within the Department.

If the Department was to consider consolidating the funding for all CFO-related activities into one appropriation to ensure more centralized control over these activities, we would oppose including funds for the OIG's financial statement audit activities in that appropriation. The role of the OIG performing its audit responsibilities has always been based on the concept of independence. Placing audit funding in the appropriation controlled by the organization responsible for financial statement preparation would create the appearance of a lack of independence and could raise questions about the validity of our audit results. In addition, funding IG audit activities out of an auditee organization's appropriation may require a change to the Inspector General Act of 1978. According to Section 3 of the IG Act, "Each Inspector General shall report to and be under the general supervision of the Head of the establishment involved or, to the extent such authority is delegated, the officer next in rank below such head, but shall not report to, or be subject to supervision by, any other officer of such establishment."

While we oppose funding the OIG's audit activities from the appropriation which supports the Department's CFO, we strongly support the concept of using trust funds and revolving funds to pay for the costs of auditing the financial statements prepared for those funds. This would involve the OIG being reimbursed for the costs of performing such audits. The resources expended for annually auditing the financial statements prepared for trust funds and revolving funds should be eligible for reimbursement for the following reasons:

Industry Practice.—According to the Generally Accepted Auditing Standards (GAAS) Guide, the audit engagement letter—from the auditor to the auditee—should clearly explain the fee estimate to be charged for the audit. Since the CFO Act requires the audits to be performed in accordance with Government Auditing Standards (GAS) and GAS incorporates GAAS, reimbursement of financial statement audit costs can be implied to be in accordance with the CFO Act. Furthermore, the CFO Act, in modifying the Government Corporations Act, stipulates Government Corporations shall reimburse the Comptroller General of the United States for the full cost of any audit conducted by the Comptroller General. A logical extension of this concept would be for the OIG to be reimbursed for the cost of financial statement audits.

Provision for Agencies to Pay for Other Financial Statement Audits.—The Single Audit Act, which requires annual financial statement audits of Federal grantees (including reviews of internal controls and compliance with laws and regulations), allows grantees to use grant funds to pay for the cost of complying with the Single Audit Act.

CFO AUDIT FINDINGS

Mr. CARR. You have reported to OMB that the Congressional limitation on the amount of funds you can use for CFO implementation should be considered a "material weakness" in the government's financial management, as defined by the Federal Managers Financial Integrity Act. What specific findings have you reached in the CFO audits you have performed so far which would make us think that not doing more of them is a "material weakness"?

[The information follows:]

Our reporting of this issue as a material weakness under the Federal Managers' Financial Integrity Act (FMFIA) had nothing to do with the actual findings identi-

fied in our audits of the FY 1992 financial statements or the potential findings in future financial statement audits. Rather, we reported our congressional limitation on CFO audit work as a material weakness because it meets one of the OMB criteria for reporting under the FMFIA. According to that particular criteria, a violation of statutory or regulatory requirements is to be considered a material weakness. In our opinion, our inability to perform all the audit work expressly required by a major piece of legislation—the CFO Act—has resulted in a statutory violation which must be reported as such under the FMFIA.

Mr. CARR. In years past, we have repeatedly asked for specifics about how the preparation and auditing of financial statements would be worth the cost to DOT, and we have received little except grand statements and generalities. It seems to me we can improve financial tracking and reporting without an entirely new bureaucracy mandated by OMB and the Congress. Of course, we could naively say that “more is better” when it comes to financial oversight. But I thought a main goal of the National Performance Review was to make the government work smarter, more efficiently and with less bureaucracy. How does the CFO accomplish this?

[The information follows:]

To our knowledge, OMB has not made a direct link between the national performance review and the CFO Act, nor have they requested the departments to make this link. However, specific actions taken to comply with CFO Act requirements also directly contribute to the implementation of significant National Performance Review recommendations. For example, the NPR report recommends the restructuring of the nation's air traffic control system into a government-owned corporation which would be supported by user fees. Calculation of the user fees is to be based in part on the corporation's asset value and depreciation costs. Our audit of the airport and airway trust fund portion of FAA's financial statement will provide an objective evaluation to determine whether trust fund assets are properly valued and depreciated to ensure accurate user fee calculation.

In keeping with the NPR concept of making the government work smarter, OMB has been looking for ways to streamline the work processes associated with CFO Act compliance to the maximum extent possible. To that end, OMB has drafted a proposal to consolidate various congressionally required reports into an umbrella Agency Financial Management Status Report and Five Year Plan. This document would increase the efficiency of financial information reporting by consolidating or otherwise streamlining reporting requirements related to the (i) Chief Financial Officers Act, (ii) Debt Collection Act, (iii) Prompt Payment Act, (iv) Civil Monetary Penalties Inflation Adjustment Act, (v) Single Audit Act, and (vi) Federal Managers' Financial Integrity Act.

CFO COST SAVINGS OR MANAGEMENT IMPROVEMENTS

Mr. CARR. Will we see any cost savings or measurable management improvements? If so, in which programs?

[The information follows:]

To our knowledge, the Department has not realized specific cost savings directly attributable to the CFO Act. However, the achievement of such cost savings is not one of the primary purposes of the Act. Those purposes are to (i) improve general and financial management practices in the Federal Government; (ii) improve systems of financial management and internal controls to assure the issuance of reliable financial information and to deter fraud, waste, and abuse of resources; and (iii) provide for the production of complete, reliable, timely, and consistent financial information. Our financial statement audits have contributed to the achievement of these purposes in DOT by identifying 10 material internal control weaknesses (including 4 accounting system nonconformances), 5 other reportable conditions, and 7 instances of noncompliance with applicable laws and regulations. Full implementation of our recommendations should substantially improve the accuracy and timeliness of financial information used to support management decisionmaking. In turn, management decisions based on accurate and timely financial information should reduce costs and produce management improvements in all audited program areas.

Measurable management improvements occurring in the DOT programs and operations subject to the provisions of the CFO Act should become easier and easier to identify because of the mandatory performance measurement reporting required in the CFO annual reports. These reports, which include the audited financial statements, must also include performance measures which are materially consistent with the information contained in the audited financial statements. The Department's first annual report including both audited financial statements and performance measures covered FY 1992 activity. As is common in many first time efforts, additional refinements of the performance measures were needed. For example, we identified opportunities to improve performance measures in FAA, FTA, and MARAD. In addition, one of our findings in the Highway Trust Fund audit dealt with the need for formal written policies and procedures for the performance measurement process in FHWA and FTA. We expect substantial improvements over the next several years as the Operating Administrations define their performance measures. The performance measures appearing in the CFO annual reports should then reflect actual program accomplishments even more precisely. Subjecting performance measures to OMB's current audit verification requirements should further help assure the accuracy, validity, and usefulness of these measures.

CFO AUDITS BY IG AND GAO

Mr. CARR. The Chief Financial Officers Act gives the GAO the authority to play in this process also. Since the GAO was one of the earliest and most vigorous supporters of the CFO legislation, I have sometimes wondered why they don't just audit the financial statements themselves. However, the legislation as currently written requires the agencies to develop the financial statements, the IG to audit them, and the GAO to audit the IG. And that is precisely what happened last year on the aviation trust fund audit. Why do we need both the IG and the GAO doing what appear to be the same thing?

[The information follows:]

The OIG and GAO had different roles in the audit of the Airport and Airway Trust Fund portion of FAA's FY 1992 financial statement. As required by the CFO Act, the OIG audited that portion of the FY 1992 financial statement prepared by FAA for the Airport and Airway Trust Fund, and we are currently auditing the corresponding portion of the agency's FY 1993 financial statement. As authorized by the CFO Act, GAO reviewed our audit work on FAA's FY 1992 financial statement. This review was limited to our planning work, which included our materiality determinations. We accepted several GAO recommendations and incorporated them into our planning for the OIG's four FY 1993 financial statement audits. The major recommendation not accepted was GAO's continued insistence that we audit all the FAA financial statement and not limit our scope only to the trust fund portion. GAO contends the audit of all FAA operations could be completed with less resources than an audit limited to the trust fund.

While we agree auditing the entire FAA financial statement would provide more useful results to management than auditing just the trust fund portion, we did not accept GAO's recommendation on this issue for two reasons. First, auditing FAA operations financed by appropriated funds would, in our view, be contrary to Congressional intent. The CFO Act specifically requires the preparation and audit of financial statements for all trust funds, revolving funds, and substantial commercial functions. However, no legislative requirements exist mandating financial statement audit coverage of any Department of Transportation operations financed by appropriated funds. We currently estimate it would cost at least \$3.6 million annually to audit just the activities specifically covered by the CFO Act, but our appropriation legislation for FYs 1993 and 1994 restricted OIG spending for CFO Act audit work to no more than \$1 million each year. In short, we have not had nearly enough funds to perform all the audits mandated by the CFO Act. Consequently, given the requirements of the CFO Act, taken together with the restrictions in our appropriation legislation for the past 2 years, we have concluded it would be inappropriate to reallocate financial statement audit resources away from areas requiring audit coverage under the CFO Act so that these resources could instead be used to provide audit coverage for activities financed with appropriated funds.

Second, we are still not convinced that an audit of all FAA operations could be completed with less resources than an audit limited to the trust fund, as GAO con-

tends. During the summer of 1992, before we received our first \$1 million spending limitation with the prohibition against hiring outside contractors, we solicited and received bids from independent public accounting firms (IPAs) for performing the audit of FAA's FY 1992 financial statements. Each of the four IPAs responding to our solicitation provided a bid for auditing just the trust fund accounts as well as another bid for auditing the financial statements in total, including appropriated accounts. According to those bids, it would cost significantly more to audit the entire operations of FAA rather than auditing only the trust fund accounts, as required by the CFO Act. The bids from the four IPAs ranged from 15 percent to 56 percent higher (with an average of 44 percent) for an audit of the entire operations of FAA compared to an audit of only the trust fund accounts. All four IPAs repeatedly indicated an audit of the entire FAA operations would be much more costly than an audit of only the trust fund accounts. Since receiving the bids, no information has come to our attention which would challenge this conclusion.

Regarding the issue of GAO playing a greater role in the actual performance of financial statement audits, we approached them early in FY 1993 about having their staff and ours work together on the FAA financial statement audit to achieve the broadest audit scope possible. Specifically, we suggested GAO undertake an audit of FAA's entire FY 1992 financial statement and offered to provide staff to help audit the trust fund portion. GAO declined the offer. If GAO should decide to perform such an audit in the future, we would still be willing to provide staff to help audit the trust fund portion.

PRINTING AND REPRODUCTION COSTS

Mr. CARR. I am curious as to why you are requesting a large increase in printing and reproduction costs from \$139,000 to \$160,000 when you are also proposing a reduction of 35 staff years. Doesn't less staff indicate less printing and xeroxing?

[The information follows:]

In all actuality, the increases in printing and reproduction costs represent a transfer of resources from equipment rental and office supplies. A number of the Office of Inspector General's regional offices now receive photocopier services through the General Services Administration (GSA) Cost-per-Copy Program. Prior to using the GSA program, equipment lease costs were incurred and paper orders were charged to the office supplies budget. The additional \$12,800 needed to fund printing and reproduction budget is significantly less than the corresponding decreases recognized in the equipment rental (\$20,000) and office supplies (\$11,900) budgets.

TRANSIT BENEFIT PROGRAM

Mr. CARR. In your October 1993 semi-annual report to Congress, you state that your office recommended to the Department that the Transit Benefit Program not be reauthorized, since recently collected statistics on the program were not convincing concerning the program's effectiveness. However, I notice you are budgeting \$115,000 in fiscal year 1995 for your own employees to take advantage of the program next year. Are you implementing the program in the IG's office in a manner to make it more effective than is the case government-wide? If not, why are you including funds for a program whose effectiveness you question?

[The information follows:]

The Office of Inspector General participates in the Department's Transit Benefit Program because participation is mandatory.

TELEPHONE COSTS

Mr. CARR. On page 2 of the justifications, it appears you are budgeting for a 20 percent increase in local phone charges (from \$201,670 to \$242,000). Why should your phone costs be rising to such an extent?

[The information follows:]

Over 79 percent, or \$32,000 of the increase, has been budgeted though the Working Capital Fund. The Office of Inspector General has no control over Working Capital Fund charges or increases. The numbers are assigned to us by the Department.

DCAA AUDITS

Mr. CARR. In some past years, we have had a problem with the Defense Contract Audit Agency (DCAA) charging exorbitant rate increases to other agencies, including DOT. What rate increase is reflected in your budget for DCAA audits in fiscal year 1995?

[The information follows:]

We used an hourly rate of \$58.20 in our revised budget estimates. This represents a 3.6 percent increase over the actual hourly rate (\$56.18) being charged by DCAA for fiscal year 1994. The chart below shows the actual DCAA hourly rate and the associated percentage increase for each fiscal year since 1989. We excluded the fiscal year 1990 to fiscal year 1992 rate increases from our calculations because we did not consider the 26.8 or 7.8 percent increases as realistic possibilities in the current austere budget environment. Accordingly, our 3.6 percent average increase was based only on fiscal years 1993 and 1994.

Fiscal year	DCAA hourly rate	Percent of increase
1989	37.46	.....
1990	47.49	26.8
1991	48.62	2.4
1992	52.43	7.8
1993	53.93	2.9
1994	56.18	4.2

FUNDING OF FTE REDUCTIONS

Mr. CARR. It is normal practice in DOT to budget for staffing increases and decreases on a one-half FTE basis in the first year. In other words, for each position you cut, you cut only one-half a staff year, reflecting the fact that it takes time for personnel offices to hire new staff and for attrition to reduce the existing work force. However, I notice that your budget request for fiscal year 1995 proposes to cut 31 audit positions and 33 staff years. Normally, a cut of 31 positions would justify a reduction of only 15.5 staff years. Why do you find it prudent to abandon the normal practice in this case?

[The information follows:]

If the Office of Inspector General budgeted one-half of a FTE for each position reduced, we would have had to double our proposed fiscal year 1995 staffing reduction. If the position reduction was 35 and the number of FTEs reduced was 17.5, it would have been impossible to achieve our fiscal year 1995 budget goal. By reducing 31 positions and 33 staff years, we will be able to, at least, preserve a staffing level of 454.

Mr. CARR. With your fiscal year 1995 proposal, won't it be necessary to leave some budgeted positions unfilled during fiscal year 1994, in order to meet your FTE number at the beginning at the next fiscal year?

[The information follows:]

Yes, in order to meet the fiscal year 1995 FTEs it will be necessary to leave some budgeted positions unfilled during fiscal year 1994.

HIRING OF WOMEN AND MINORITIES

Mr. CARR. Over the past couple of years, a large percentage of the OIG's new hires have been women and minorities. Will these

groups be disproportionately represented in the 33 staff years eliminated in the audit program? If not, how will this be avoided? [The information follows:]

At our current rate of attrition, we anticipate achieving the staffing levels called for in our submission with no impact on these two groups. We are, however, losing women and minorities from our investigations office to other investigations agencies and OIGs which pay full AUO.

STAFFING REDUCTIONS

Mr. CARR. On page 16, you describe a consolidation of your existing audit offices into two larger offices, in order to accommodate the staffing reductions. Why couldn't you just reduce staffing in the existing offices?

[The information follows:]

We could have simply reduced the staff in each of our offices to accommodate the staff reduction. Applying the reduction in this way would have had a relatively small impact on each office and the reduction would entirely effect our journey grade audit staff. A goal of the NPR is to reduce the supervisory ratio. In line with this goal, we opted for the more difficult decision of consolidating Headquarters Offices. The consolidation allowed us to eliminate nine positions at the GS-14 level and higher. This reduced our supervisory ratio slightly and allowed us to retain more journey grade staff.

Mr. CARR. Will this consolidation improve or lessen the audit process, and if it is an improvement, why wasn't it done earlier?

[The information follows:]

The consolidation is due to a significant reduction in staff. In itself, the consolidation will neither improve or lessen the audit process. It will, however, require us to shift audit work previously done by our Headquarters staff to the Regional Offices and at the regional level, eliminate many of the local and regional audits that we do each year.

IMPACT OF STAFF REDUCTIONS ON AUDITS

Mr. CARR. A cut of this magnitude seems certain to have an impact on certain areas of emphasis. What kinds of audits will you have to deemphasize to meet the proposed reduction?

[The information follows:]

We have already taken some actions to mitigate the impact of the cut by streamlining our single audit and contract audit processes and shifting the resources to internal audit work. With the large reduction in staff, our priorities will focus on department-wide and operating administration-wide issues, major acquisitions and very large grants. We have already scaled back protective audits and will do very few in the future. The greatest impact will be the reduction in local and regional audits such as those covering individual transit or state operations, construction projects, commissaries and non-appropriated fund activities.

Mr. CARR. According to the chart on page 22 of your justifications, your audit reports resulted in savings of about \$585 million during fiscal year 1993, and were conducted by 201 regional office staff. This would indicate that, on average, a field auditor saved about \$2.9 million during that year. The average annual cost of an auditor is \$66,000. Can I therefore assume that with your proposed reduction of 33 audit staff years—which save about \$22 million—we will forego audit savings of over \$90 million?

[The information follows:]

The extent to which savings are identified and reported by our audits is dependent on the type of works we schedule. All of our resources are not targeted to audits having the potential for dollar savings. For example, we have done and will continue to do audits that assess the adequacy of DOTs safety oversight programs. These au-

dits and many others have little potential for saving money but result in recommendation that substantially impacts the quality of DOTs major mission. Therefore, savings amounts vary significantly from year to year and it would not be appropriate to conclude that 33 fewer auditors will result in \$90 million less savings.

ECONOMIES STUDY

Mr. CARR. At the request of the Deputy Inspector General, a study was conducted over the past year to identify possible economies within the operation of the Office of the Inspector General. What were the findings of this study, and how are they reflected in your fiscal year 1995 budget request?

[The information follows:]

The study was initiated as part of a long-term process to review administration OIG-wide and streamline administrative processes to spend less dollars on administration and re-allocate these dollars to program oversight. The primary findings of this study to date identified several areas of potential savings, primarily through increased management administration oversight and planning. For example, one part of the study identified instances where employees made trips to a particular site several times over a period of months. As a result, we have instructed our managers and supervisors to attempt, where appropriate, to schedule longer trips, rather than several short ones in order to maximize our travel funds and best use of resources. Training expenditures and AUO are additional areas where increased management is resulting in better use of resources.

AIRPORT REVENUE DIVERSION

Mr. CARR. One of my hobbyhorse issues is revenue diversion, and you have been very good on that. Last year, you did 20 some sites. Why don't you update that report? What did you do in the last year on revenue diversion? And I think you have also seen the report that surveys and investigations did at my request. Could you comment on how your work and their investigation comes together?

Ms. SCHIAVO. Actually, I did see that report and I thought that report was very good. Their work and our work meshed completely. Our work was very complementary of each other. Their work really came to the same conclusions that our work did. We have completed a number of the audits; as you are aware. We combined a number of those into a roll-up audit report for an FAA response, partly because we have issued so many audit reports on the subject.

We requested the FAA to respond to the roll-up report, stating what they were going to do for corrective action and to make improvements. We also have audits in process at 17 airports, and we also have four audit reports that we have issued since March 1993 when we testified last year. So all in all, our audits have come up with really extremely large numbers, over \$20 million.

We are talking at some airports, well over \$1 million each. We did find some in compliance. I have to say that we found more out of compliance than in compliance. The total of the audits that we have already completed amounts to \$22,672,000. So this issue is one that has discovered a tremendous amount of diverted funds, so we thought it was a very worthwhile series of audits and we do appreciate the committee's tasking us with the project, because obviously the findings to us were very significant. We still have some ongoing, and on one, we are waiting on legal opinion.

As you know, the grandfathering issue was a question for the Department in a number of audits. Some of the airports were grand-

fathered, some were not, and we are waiting on one more opinion on that issue, for Baltimore-Washington, BWI. Grandfathering has been an issue that has compounded the problem.

LEGAL OPINIONS ON AIRPORT REVENUE DIVERSION

Mr. CARR. Where do you get the legal opinions?

Ms. SCHIAVO. We get the legal opinions from the Office of the General Counsel, the Department's general counsel.

Mr. CARR. That seems to me to be a weakness. I don't mean to personalize this to this general counsel, because he is relatively new. The problem we are trying to uncover here has been going on for some time and it appears to me that by practice, not by real law, not real hard legal analysis but more by practice, the general counsel has enlarged the loophole, has enlarged the grandfather.

Everybody knows that it was meant to apply to airport authorities which had more than one facility and had more than perhaps one mode. But at least you could say it was all going for transportation and it had to do with bond ratings, et cetera. But then someone put the arm on a counsel years ago for an interpretation that a nonauthority airport could be grandfathered as an authority airport, and then subsequent counsels have come along and said, well, you know, that was probably a mistake, but equity requires us to make more mistakes and give it to other similarly situated special pleaders.

And I know that the authorizing committees are taking a look at this. But isn't there something short of statute where the DOT, the Secretary and the counsel, can rein this in and get it under control?

Ms. SCHIAVO. Well, when we initially referred the audits over, we, of course, by departmental restriction and to some extent funding restriction do not have counsel on staff. Now, you know, I am a lawyer, Roger is a lawyer, but we are not to fill that—replace that counsel function, although we do do it on the criminal side as both of us being criminal attorneys, trained criminal lawyers. But for those airport revenue opinions, they come from the Office of the General Counsel.

It was our opinion, that the airports that we sent to the general counsel for an opinion did not fall within the port authority or grandfathering loophole. Obviously, because of a general counsel opinion, some of the airports that we didn't think would be grandfathered, are now grandfathered, Hawaii, San Francisco, and St. Louis. That is the issue that is pending on the Baltimore airport. The problem that we see with the three grandfathered legal opinions is it does leave the door wide open for further diversion by an increasing number of airports.

Now, we have word, some official, some unofficial from reading the papers, that many other airports have seen the diversion opportunity and are going to jump on the bandwagon here. We have read articles from newspapers around the country where different airports in cities have now gotten this idea and they are going to form organizations suitable for grandfathering so they can siphon off the revenue. So one of the warnings that we raised from the very beginning is this "foot in the door" problem or starting down the slippery slope of massive diversion.

You know, once it gets started a little trickle of blood can turn into a hemorrhage here. And that was the problem that we flagged from the very beginning. Nonetheless, it is proper that the issue, went to the General Counsel. And I do have to give him a word of praise. He did break loose and at least get some opinions out on a lot of issues that had been pending for a number of years, including one that we had pending for four years. He has worked hard to clear the backlog.

DOT ENFORCEMENT OF AIRPORT REVENUE DIVERSION LAWS

Mr. CARR. Well, I think to close the loop on some of this, although the general counsel doesn't normally come before our Committee, I think we are going to have him before our Committee this year and ask some of these questions. It is very hard for this Committee to appropriate multi-billions of dollars for the AIP program with the knowledge that it is draining out the back door. And we were criticized by some for not being as generous with AIP last time. And I did say it was only a one-time hit to solve an outlay collision down stream, but it seems to me either the authorizing committee has to incorporate some real tough standards in new authorization language, or the Department by practice has to toughen its own enforcement, or we just might not be as generous.

I mean this Committee sits to appropriate money to improve airports, not appropriate money for general revenue sharing at select communities that can figure out how to drain the money off.

Ms. SCHIAVO. That is right, but all three of those areas are areas which could use some substantial improvement—tougher standards, tougher DOT enforcement, and where necessary, Congressional restrictions on funding. First, on the airport revenue rollup report, we sent it over to the FAA for a response. We got the response back this past weekend. The response basically admitted that they had not done anything to oversee these grants until our work. Until the work that you requested occurred, they failed to check to see what was going on and failed to hold any of the airports' feet to the fire about what they were doing with this funding. They still have failed to get serious.

Unfortunately, in their response they further abdicated stating they did not have the resources and the expertise to do this kind of continuous checking on airports and wanted us to assume the responsibility of doing that in the future. Obviously, to do the magnitude of auditing we have to date took a lot of our resources and so I do not think it is appropriate for us to just take over that responsibility. We are the oversight organization.

I would have hoped that they would take their responsibilities more seriously and would be a little more careful in the use of these AIP funds. So that is just one thing that has to be fixed—increase the oversight—or have any oversight at all—because in the past it just appeared to be nonexistent.

The second thing is the legal loophole. Depending upon how one construes the law, even if you could get a different General Counsel opinion, if there was still the loophole, obviously some cities would still head to court. You must close the loophole.

And the third, of course, is the committee's oversight of airport funds in cities that divert the revenue and do not comply with the

law. Congress should take the measures that you mentioned. They would be most effective. I think all three of your suggestions are all worthwhile and very much needed.

Mr. CARR. Well, one further thing I hope you will look at as you continue this process, and we support you in it, is that you take into cognizance something that is new in the law. We put it in there. And the President signed it. Communities which own airports that divert funds can lose all their funding for highways, for transit. It is a rather clumsy way of going about it. I wish we didn't have to do that.

I wish the administration and others would step up to their responsibility on this and not have us in the position of trying to enforce our own laws. We are not very good at that, and I'd be the first to admit it. But if no one else is going to do it, this Committee is going to do it. We passed the law, the President signed it, and I would like to ask you this year to monitor for us whether that law is being observed by the administration.

It would seem to me that the general counsel ought to be sending out some notices right about now, saying "your community is faced with a cut off of highway funds and a cut off of transit funds unless you bring your airport into compliance".

Ms. SCHIAVO. All right. We will do that.

Mr. CARR. I doubt that any letters like that have been going out. I think maybe some people down at DOT think that we are just sort of a bunch of silly people up here, just passing laws and they can pick and choose which ones they want to enforce. So perhaps you can help us monitor that situation.

Ms. SCHIAVO. We will do that.

Mr. CARR. Thank you.

Mr. Foglietta.

Mr. FOGLIETTA. No questions.

Mr. CARR. Well, since there are no other questions, I guess we will thank you for being here.

Ms. SCHIAVO. Our pleasure.

Mr. CARR. And thank you for all the help you are to us in so many ways, not just revenue diversion. I think we will do the best we can to make sure that you don't have to make the cuts that have been suggested.

Ms. SCHIAVO. Thank you, Mr. Chairman. You can be assured that we, too, will do the best we can with whatever we get.

Mr. CARR. Okay. I know you will.

[Additional questions provided for the record follow:]

OIG'S ORIGINAL BUDGET REQUESTS

Mr. WOLF. According to your statement, your monetary recoveries for fiscal year 1993, including fines, court-ordered restitutions, civil judgments and settlements totaled over \$26 million. This means that for fiscal year 1993, the OIG recovered about \$4 for every investigative dollar spent. In spite of this performance record, however, your budget for fiscal year 1995 reflects a net decrease of \$.681 million. This concerns me especially since the Congress has recently tasked your office with additional duties, the most critical being continuous review of the FAA's AAS program.

What was the budget request you submitted for fiscal year 1995?

[The information follows:]

The fiscal year 1995 Office of Inspector General's budget submission to the Office of the Secretary was \$48.558 million and the submission to the Office of Management and Budget was \$38.319 million.

FTE REDUCTIONS

Mr. WOLF. You indicate in your statement that this budget decrease will cause a net reduction of 35 FTE positions in fiscal year 1995 and you speak of consolidating various functions in your office. I commend your plans to make the best of these reductions, but it strikes me that when you have a function where you are getting a four-fold return on every dollar spent, it is penny wise and pound foolish to look there for your savings.

Will your office be able to achieve these reductions through attrition?

[The information follows:]

We plan to achieve personnel reductions through normal attrition and early retirements. The buyout authority would greatly facilitate our efforts to meet required supervisor-to-employee ratios and staffing levels. During fiscal year 1993, the Office of Inspector General experienced an attrition rate of 8 percent and we are currently estimating the rate for FY 1994 and FY 1995 to be 3 percent.

IMPACT OF OIG'S DOWNSIZING

Mr. WOLF. With these reductions, will you be able to continue all of the audit and investigative duties you have now plus the additional continuous review function for the AAS? Will this downsizing and consolidating also result in moving some of your activities to the regional level? If so, which ones?

[The information follows:]

We are not reducing the investigative staff so there will not be any impact on the investigative work. As a result of the audit staff reduction, we will curtail some of our audit work, but not AAS if at all possible. As directed by the Committee last year, we will continue reviewing the AAS Program and advising the Secretary accordingly. Our first advisory was issued in March 1994. We do not plan to move audit staff from Headquarters to the regional level but we will shift some workload. Some DOT and Operating Administration-wide audits previously performed by the Headquarters staff will be shifted to the regions and some local and regional audits will be eliminated.

DOT'S PERSONNEL REDUCTIONS

Mr. WOLF. In response to a request from our Committee staff, you provided charts showing how the reduction in your staff compares to staff reductions in other agency OIG offices government-wide. These data indicate that although at your current level of 489 employees you represent less than 1 percent of your Department's total work force, you are sustaining a 9 percent cut in personnel. Are data available which shows the percentage of personnel cutbacks for the other offices and modes in the DOT, as well as what percentage of total department employment each of those divisions represent?

[The information follows:]

When examining the information, please note DOT and OMB no longer record full-time positions. Accordingly, the information is stated in full-time equivalents (FTEs).

MODE	FY 1994 FTEs	Percent of DOT	FY 1995 FTEs	Percent of DOT	Increase/de- crease	Percent of change	Percent of total change
OST	1,093	1.0	1,083	1.0	-10	-0.9	0.5
FAA	52,290	48.5	51,133	48.3	-1,157	-2.2	61.6
FHWA	4,677	4.3	4,610	4.4	-67	-1.4	3.6
FRA	739	0.7	750	0.7	11	1.5	-0.6
FTA	484	0.4	504	0.5	20	4.1	-1.1
MARAD	1,115	1.0	1,090	1.0	-25	-2.2	1.3
NHTSA	683	0.6	667	0.6	-16	-2.3	0.9
BTS	12	0.0	12	0.0	0	0.0	0.0
OIG	480	0.4	445	0.4	-35	-7.3	1.9
SPA	865	0.8	895	0.8	30	3.5	-1.6
SLEDS	174	0.2	168	0.2	-6	-3.4	0.3
USCG	45,187	41.9	44,565	42.1	-622	-1.4	33.1
TOTAL	107,799	100.0	105,922	100.0	-1,877	-1.7	100.0

OIG'S PERSONNEL REDUCTIONS

Mr. WOLF. This 9 percent cut in your workforce also represents by far the highest percentage personnel cut in any OIG office government-wide. In fact, some OIG offices are getting staff increases in the fiscal year 1995 budget request, such as EPA, NRC, and Education. What is your theory on why your office has been asked to take the biggest personnel hit (percentage-wise) of any OIG office in the Federal Government?

[The information follows:]

I do not have information to definitively explain the disparate impact on other IG offices across the government. Each department head had to make his/her own determinations as to how best to implement the requirement of the Executive Order within their respective agencies. In terms of the reductions at DOT, as Secretary Peña stated during his testimony before this committee, the Department was faced with a number of hard choices and the current budget request represents the administration's decisions as to how to take those personnel cuts.

Mr. WOLF. The problem can't be performance, given the 4 to 1 monetary recovery rate, and given that virtually all of the recommendations your office submitted to the NPR (National Performance Review) were included. Does this strike you as a somewhat ironic way to "reward" an area of government that is performing well? Is your office perhaps performing too well and someone wants to slow it down?

[The information follows:]

The OIG does have a record of which to be proud, and I know that Secretary Peña is aware of our record and greatly appreciates the work that we do. We enjoy an excellent relationship with the Secretary and his staff and work with them closely in all areas. Based upon that relationship, I can state with confidence that the Secretary is committed to making the Department of Transportation as efficient and effective as possible and that he views the Office of Inspector General as an essential tool to help him realize that goal. However, there have been instances where certain factions within at least one of the operating administrations has worked to stymie or derail OIG investigations and other work. We are taking appropriate measures concerning the actions of this operating administration. The Inspector General identifies fraud, waste and abuse, and in delivering bad news cannot make everybody happy. We have been very vigorous and have amassed some remarkable accomplishment in the last three years, and already in fiscal year 1994. We will let our record speak for us against any detractors.

AAS PROGRAM

Mr. WOLF. I appreciate the preliminary information you provided in response to my questions about your ongoing review of the AAS program. I was particularly disturbed to know that the FAA has been recalcitrant in providing technical assistance in previous DCAA audits and I raised this issue with Secretary Peña at our hearing yesterday. While I realize this effort is ongoing and you haven't yet shared your findings with the FAA, I would like to ask some additional questions.

Are there other specific "red flags" that your office has uncovered to date?

[The information follows:]

Our efforts to date have included obtaining an understanding of the AAS Program and a status of program cost, schedule, and management. We identified problems with IBM's accounting system and with the technical support FAA provided to the Defense Contract Audit Agency. Our recent report noted that the AAS Program is likely to experience significant cost and schedule problems. While we cannot quantify the impact, we identified several areas including limited consolidation, undetermined mission critical requirements, and system testing risks which may result in future cost growth or schedule delays and intend to do further review in these areas.

Mr. WOLF. To what do you attribute the most recent cost increase—the \$1.2 billion increase announced in December? And to what do you attribute the fact that cost overruns in this program have a habit of sneaking up on us and being dropped like bombshells? Why is it that periodic financial statements do not seem to "flag" a problem of this magnitude?

[The information follows:]

The most recent cost increase of \$1.2 billion can be attributed to significant increases in program management and engineering costs, adding new mission critical requirements and modifying existing requirements to accommodate airway facilities and air traffic needs, the development of "stand alone" terminal capabilities as a result of FAA's decision to adopt a limited consolidation strategy, and the accelerated development of capabilities benefiting the commercial users of the system, such as Automated Enroute Air Traffic Control. The majority of the \$1.2 billion cost increase is in the Initial Sector Suite System portion of the program. We have not performed sufficient work to identify why these cost overruns sneak up on FAA. However, in our opinion, the causes can all be traced to inadequate management attention by both FAA and the contractor. FAA and IBM both underestimated the effort needed to develop and produce an operationally suitable system. FAA has deferred resolution of problems and definitization of requirements and it is not until firm proposals are received, evaluated, and negotiated that FAA really knows what the costs will likely be. Although we have not reviewed all of the management reporting mechanisms, periodic contract cost/price and schedule analyses as well as monthly program management briefings should have identified and alerted management to significant cost overruns and schedule delays. However, we have reported that IBM's system for generating cost estimates contains numerous deficiencies and FAA and IBM have not taken adequate steps to correct them.

Mr. WOLF. In your opinion, are the DOT and the FAA taking adequate steps to ensure that the contractor performs on this important project? Also, do you foresee problems with the March 1 change in contractor ownership—from IBM to Loral Corporation? If so, will you be making recommendations to FAA about safeguards that should be put in place?

[The information follows:]

DOT and FAA recognized oversight of the AAS Program including the AAS contractor needed to be strengthened. Over the last year or so, several measures have been taken to help get a better handle on program costs and schedules and ensure contractor performance. In November 1992, FAA issued a Cure Notice to IBM,

which directed IBM to provide a plan to cure the AAS Program schedule problems. Following the Cure Notice, FAA and IBM established executive level oversight of the AAS Program and FAA established a dedicated ISSS team onsite at IBM to resolve technical problems. Additionally, FAA and IBM set up a system to meet regularly to discuss the program status. During the same period, the Transportation Systems Acquisition Review Council (TSARC), an advisory body for the Transportation Acquisition Executive (the Deputy Secretary) on major acquisitions, has increased oversight of this program. TSARC initiated a series of memorandums and questions and answers with FAA on the AAS Program. Currently, the biggest issue facing TSARC is the review of the ISSS Replan Modification. Secretary Peña directed the FAA Administrator not to sign the proposed Replan Modification pending staff review of AAS contract data and program costs. Also, Administrator Hinson's 45-day review team completed a comprehensive review of the costs and schedule to complete the program, and the Center for Naval Analysis (CNA) was tasked to conduct an evaluation of the organizational, management, and financial concerns raised by the AAS Program. The CNA report will suggest realistic recommendations for controlling costs and managing the program. On March 2, 1994, IBM closed the sale of its Federal Systems Company to Loral Corporation and on March 3, 1994, Administrator Hinson announced several actions, including (1) replacing senior management responsible for the AAS Program, (2) selecting a high-level team to thoroughly evaluate all elements of the program, (3) suspending funding for work on the Area Control Computer Complex portion of AAS contract, and (4) meeting with the contractor to obtain a commitment to improve performance and participate in the program restructuring. However, given these recent actions, we just do not know whether the steps taken by FAA will ensure that the contractor will successfully perform this contract.

At this time, we see potential problems with the anticipate change in contractor ownership from IBM to Loral Corporation. Loral is a major defense electronics firm and until now has not been involved with major software development projects for air traffic control systems. Loral will need time to grasp the status of the project along with the task they face, and to implement their own management style. Also, while some IBM personnel will remain with AAS, others may choose to retire or seek other opportunities, therefore leaving less personnel with knowledge about the project. In addition, Loral may assign new people with no knowledge of the program, thus diluting the AAS specific knowledge and experience on the project team. Additionally, items which are not clearly defined in the contract may have to be negotiated where FAA and Loral see things differently. Until the AAS contract is novated from IBM to Loral, IBM is totally responsible for performance. Novation is a lengthy legal process which among other things transfers responsibility for performance of the contract from one party to another. Administrator Hinson assured the Department that FAA will ensure appropriate guarantees and commitments to adhere to schedule and cost estimates are included to protect the Government's best interests. We have made a recommendation that IBM or its successor correct deficiencies in its estimating system. At this time, we do not plan to make specific recommendations about additional safeguards that could be put in place. We will continue to monitor the AAS Program and its contractor and report as necessary.

FTA'S GRANTS OVERSIGHT

Mr. WOLF. The GAO identified serious shortcomings in the Federal Transit Administration's oversight of grantees that allowed waste, abuse, and mismanagement in its active grants. As a result, in 1992, FTA initiated an action plan to correct the serious and pervasive problems in its oversight function. You testified last year that you were helping FTA to make the needed improvements and establish more checks and balances.

Are you satisfied with the progress that FTA has made since last year?

[The information follows:]

In our view, FTA has made significant progress in strengthening its grants management oversight. However, we will not be satisfied until sufficient corrective actions have been completed to enable this issue to be removed from the Department's annual FMFIA reports as both a high risk area and a material weakness. For this to occur, FTA still needs to obtain OMB approval of the revised audit guidance and finalize its oversight remedies manual. In addition, and most importantly, for this

high risk area to be effectively corrected, FTA needs to complete the structural and functional changes in agency Headquarters needed to separate the grants award process from grants management. Subsequent to completing these corrective actions, FTA will need to validate the oversight mechanisms put in place to determine whether they accomplish what was intended.

Mr. WOLF. Have you made recommendations concerning actions that FTA needs to take to correct past shortcomings in its oversight of grantees?

[The information follows:]

In reaction to a number of OIG and GAO audit reports, FTA reported grants management oversight as a material internal control weakness in 1989 and initiated organizational and procedural changes to correct the weakness. However, to complete the significant changes needed to improve the quality of its oversight, FTA needs to finalize its planned corrective actions. To complete its corrective actions, FTA needs to obtain Departmental and OMB approval of the revised grant audit guidance, provide the amended guidance to its grantees, complete its Headquarters organizational changes, and finalize its oversight remedies manual.

However, the most significant impediment to effective corrective action is the philosophy of FTA officials. In a January 1992 report to the Government Operations Committee, GAO expressed its frustrations with FTA by stating that "... FTA has allowed this waste and mismanagement to continue. However, GAO's work shows that the problem goes much deeper—to FTA's laissez-faire oversight philosophy and its unwillingness to enforce corrective actions." FTA will continue to have problems until it firmly decides to hold grantees accountable for adherence to grant provisions and assurances.

SUSPECTED UNAPPROVED PARTS

Mr. WOLF. Your office has done extensive investigative work in key FAA functions that directly affect the safety of the flying public. Four of these functions are suspected unapproved parts (SUPS), repair stations, mechanics' certifications and FAA approvals.

Last year in testimony before this subcommittee, the FAA did not seem to think that bogus parts presented a major safety problem. Could you summarize your just issued study on SUPs and tell us whether the FAA has yet responded to it. Also, have there been accidents linked to SUPs?

[The information follows:]

Our audit of 4 Flight Standards District Offices, 2 International Field Offices, 4 domestic and 10 foreign FAA-approved repair stations disclosed use of aircraft parts of unknown design, quality and origin; outdated repair manuals; substitute parts not approved by manufacturers; and parts repaired by subcontractors not approved by the FAA. At 12 of the repair stations we reviewed, of those parts sampled, 43 percent of all newly purchased parts, and 95 percent of parts purchased from distributors or brokers did not have reasonable evidence of either FAA production approval status, production origin, or conformance with established U.S. or industry specifications. Likewise, we also found: 5 repair stations used 11 outdated manufacturers' maintenance manuals for 47 repairs; 8 repair stations used 27 types of parts not listed in the most current manufacturers' maintenance manuals; and 3 repair stations subcontracted repair of 16 types of parts to repair stations not regulated by FAA. We recently received FAA's response. Overall, the Administrator did not agree that the weaknesses identified by this report were sufficiently material to be reported to the Secretary and Congress.

According to NTSB, since 1984 there have been 76 accidents in which bogus parts were involved. Of these, 14 accidents were termed by NTSB as having bogus parts as a "finding". Regarding fatalities, in January 1993, the NTSB issued a preliminary ruling that the crash of a single engine aircraft in Louisiana was caused, in part, by a bogus propeller pitch control cam. The crash killed the pilot. Also, in February 1993, the Aircraft Accident Investigation Board of Norway ruled that the crash of a Canadian-owned Convair aircraft was caused by inferior pins and sleeves installed in the vertical stabilizer. The crash killed all 55 persons aboard the aircraft. The plane had been recently overhauled by a Canadian repair station, using parts allegedly acquired from an American parts broker.

The number of reported SUPs has risen dramatically during the past two years. From October 1, 1992 to date, over 660 SUPs have been reported to the FAA. Approximately 160 of these were categorized as possible safety issues. These parts have the potential to cause a catastrophic component failure, or directly affect the safety of the aircraft.

FAA REPAIR STATIONS

Mr. WOLF. In a recent audit, you concluded that the FAA had established an adequate certification process for new repair stations. However, you found that there was no continuing oversight with existing repair stations. What recommendations did you make to the FAA and what was the FAA's response?

[The information follows:]

We designed our recommendations to address three areas of weakness. We made six recommendations designed to provide better assurance that replacement aircraft parts are FAA-approved, four recommendations designed to provide better targeting of repair stations for FAA surveillance, and five recommendations designed to improve FAA surveillance of repair stations. In addition, we recommended that FAA report these three areas as a material internal control weakness.

The FAA Administrator concurred with six recommendations, partially concurred with three recommendations and did not concur with seven recommendations. Overall, the Administrator did not agree that the weaknesses identified by this report were sufficiently material to be reported to the Secretary and Congress. To provide better assurance that replacement aircraft parts are approved by FAA, the Administrator agreed to revise an advisory circular and clarify, or study clarification of, FAA regulations. He also suggested development of a voluntary accreditation program for distributors and brokers. To provide better targeting of repair stations for FAA surveillance, he agreed to redefine repair station ratings, identify safety trends, and train inspectors in areas of repair station weaknesses. However, he did not agree to require domestic repair stations to submit data regarding the volume or criticality of aircraft repairs. To improve FAA surveillance of repair stations, the FAA Administrator increased documentation required of inspectors. However, he did not agree to assess repair quality or to test repair output. Likewise, he did not agree to specify consistent amounts or types of inspection tests or to clarify follow-up actions.

After analysis of the Administrator's response, we continue to conclude that a material internal control weakness exists. Distributor and broker regulation, repair station activity information, and FAA inspection discipline are essential corrective actions. Although the response indicated concurrence with six recommendations, we agree with the corrective actions planned and taken on only three. We requested FAA reconsider its response on eight recommendations and implement the recommended corrective actions. For five recommendations, we concluded the response did not provide sufficient data for us to fully evaluate FAA's position and requested additional information.

FAA'S DESIGNATED MECHANIC EXAMINERS

Mr. WOLF. Another audit revealed inadequate FAA inspector surveillance of Designated Mechanic Examiners (DMEs). Your office found that the pass rate for mechanics was around 99 percent. However with the OIG on the scene watching, the pass rate fell to about 40 percent and, in fact, some surrendered their licenses. How is this problem being addressed by the FAA?

[The information follows:]

In response to our audit the FAA Administrator is: (i) reviewing the adequacy of surveillance training program; (ii) developing surveillance inspection checklists; (iii) designating and training DME Inspector focal points; (iv) investigating the 22 DMEs identified in our report as having possibly abused their appointments; and (v) identifying mechanics tested by DMEs who have abused their appointment to determine if the mechanics have been involved in any aircraft-related accidents, incidents or enforcement actions over the past three years and if they are qualified to hold their ratings.

Corrective actions are continuing at this time. However, we do have some concerns about FAA's commitment to ferret out those mechanics who may not be qualified because they received certification from DMEs who were abusing their authority. For example, FAA is backing off of their commitment to us to evaluate 100 percent of the mechanics tested during the past year by the 22 problem DMEs identified during our audit. FAA is now saying that their response to our report was erroneous, and they intend to evaluate only 10 percent of the mechanics tested by these DMEs. FAA told us they were interviewing mechanics to assess their working knowledge, skills and experience as mechanics.

We have not completed a full assessment of the adequacy of FAA's response to our report. However, we believe serious questions can be raised regarding the adequacy of FAA's implementation of corrective actions. For example, how can FAA assess mechanic knowledge and skills through interviews? In addition, we would not have accepted a 10 percent sampling of mechanics on an interview basis, since our audit disclosed serious testing deficiencies, and the oral and practical tests were intended to function as the primary discriminators between acceptable and unacceptable applicant performance.

FAA'S PARTS MANUFACTURER APPROVAL REGULATIONS

Mr. WOLF. The OIG has also recently identified a failure on the part of the FAA to enforce its Parts Manufacturer Approval (PMA) regulations. Among the problems disclosed are decentralized record keeping with no central data base and inadequate oversight of foreign-manufactured aircraft parts. Has the FAA responded to this audit yet? If so, how is this problem being addressed?

[The information follows:]

FAA has responded to these two issues. FAA has advised many initiatives underway to improve the PMA process and to provide awareness to the aviation industry on suspected unapproved parts. FAA determined that a comprehensive PMA database would best be accomplished by a commercial activity. FAA has asked the Aerospace Industries Association of America to chair an industry-wide team to determine what information should be included and the appropriate delivery vehicle. FAA also chartered a Supplier Management Team to determine the resources needed to provide surveillance over foreign-manufactured parts. FAA will also seek legislative relief from Section 334 of U.S. Code, Title 49, to enable FAA to charge U.S. manufacturers for surveillance of foreign-manufactured parts.

FOREIGN AIR CARRIERS

Mr. WOLF. In another matter relating to aviation safety, in a hearing before this committee last year, U.S. air carriers testified that there were discrepancies in certain safety regulations imposed on their operations and the operations of foreign carriers at U.S. airports. In addition to the obvious safety hazards, this also places domestic carriers at a competitive disadvantage. Is this an area that has ever been examined by the OIG?

[The information follows:]

We have not evaluated the competitive advantages foreign airlines have over domestic airlines due to less stringent requirements nor have we addressed the problem of reduced security for U.S. passengers on foreign airlines. This may be a serious problem since estimates are that half of all U.S. citizens travelling to or from this country fly on non-U.S. flag airlines. These citizens would not have the same protections because we require less of foreign carriers, yet give them access to our airspace and U.S. citizens who are passengers. The General Accounting Office addressed this matter as it relates to security in a January 1994 report. There are many, many other examples of discrepancies between requirements for U.S. and foreign carriers which adversely affect U.S. carriers. These discrepancies take many forms and range from noxious anti-competitive measures to serious compromises in safety. For example, some countries require bug spray to be sprayed in the passenger cabins—on and around the passengers—of U.S. airlines travelling from the U.S. to some Central and South American countries, but not on the foreign flag carrier travelling from the U.S. to these countries. Other discrepancies pose grave safe-

ty threats, such as different de-icing rules, emergency exit requirements, newer flight data recorders, fuel reserves, crew drug and alcohol testing, and security requirements. We will include these issues in our plans for review by our Office of the Assistant Inspector General for Inspections and Evaluations.

VEHICLE FLEET MAINTENANCE

Mr. WOLF. Your office has also concluded that 70 percent of the 4,600-vehicle fleet maintained by the FAA is not justified under GSA regulations. This amounts to \$4.4 million in excess cars. It would seem that this may be a better place to achieve departmental savings rather than from the hide of an office that is ferretting out this kind of waste.

Did you determine that this is a regional problem, or does the problem also affect FAA headquarters? What is being done about it?

[The information follows:]

Our audit of FAA's management of government owned vehicles was administration wide in scope. Therefore, the problems reported affect FAA Headquarters as well as Regional operations.

FAA generally agreed with the finding and recommendations and plans to (i) issue a memorandum to the Administrator's Management Team clarifying Motor Vehicle Operating Element (MVOE) authority and the need for facilities to consider pooling vehicles, short term rentals, and privately owned vehicles where feasible, as alternatives to leasing vehicles from the General Services Administration, (ii) require that all vehicle usage records be reviewed, and unjustified vehicles disposed of within 30 days from the MVOE's determination, (iii) develop a motor fleet management information system, (iv) require operations evaluations to determine whether essential requirements can be met with fewer vehicles by using alternatives, and (v) require unit managers to establish procedures and controls for documenting vehicle usage. FAA refused to report the problem as a weakness.

NOISE COMPATIBILITY PROGRAM

Mr. WOLF. During your audit of the Noncompatible New Development/Airport Noise Compatibility Program, you found that noncompatible development was occurring around six out of 10 airports. You further estimated that this would wind up costing the taxpayer about \$75.6 million in Federal grant funds to mitigate the effects of airport noise. For some time, this has been an area of concern to me because residential development is being permitted to encroach upon the noise-sensitive areas around Dulles Airport.

What were the six airports you identified?

[The information follows:]

Our audits disclosed that noncompatible new development either had occurred or could occur because of permissible zoning at the following six airports: (1) Memphis International; (2) McCarran-Las Vegas International; (3) Sea-Tac International; (4) Lambert-St. Louis International; (5) Portland, Maine International; and, (6) Cincinnati/Northern Kentucky International.

Mr. WOLF. In your opinion, is the method used by the FAA to "draw" the noise circles around airports adequate? Is the FAA aggressive enough in reminding airport authorities that no Federal noise mitigation money will be forthcoming if noncompatible development is allowed in noise sensitive areas?

[The information follows:]

While the noise contour method may be adequate, there are other problems. FAA's response to potential noncompatible development has been mixed. While two FAA regions have been aggressive and informed sponsors that Federal noise grant funds will not be provided for noise mitigation remedies on new noncompatible development, FAA Headquarters and the remaining regions have been reluctant to

take an aggressive stand. As stated in answer to previous questions, we have made many, many recommendations to improve the process and make the use of our federal dollars more effective. The FAA has not adopted all of these recommendations.

Mr. WOLF. Do you plan to take this study nationwide?

[The information follows:]

To provide the nationwide evaluation of noncompatible development requested by the Committee, we selected 10 airports in eight FAA regions using FAA noise grant award data. We have issued individual reports on the ten airports and we are currently preparing a national summary report. The summary report will contain recommendations that address the policies and procedures needed to control Federal costs throughout the country. Allowing time for FAA to provide specific response to each individual airport report, we expect the national summary report to be released this summer.

NOISE WALLS ON INTERSTATE PROJECTS

Mr. WOLF. According to your budget justifications, the OIG identified about \$14 million (\$12.6 million federal share) spent or approved on sections of noise walls on five interstate projects which were not justified. This included the construction of noise walls costing about \$6.9 million in one State which were unreasonable in comparison to cost per residence in other States. Also, about \$5.4 million was spent for noise walls that had little or questionable benefit in reducing exterior highway noise to human beings. Finally, about \$1.7 million was spent or planned for noise walls which did not meet noise mitigation eligibility criteria.

What were the five interstate projects studied?

[The information follows:]

The five interstate projects reviewed were:

Pennsylvania: I-476 (West of Philadelphia), I-78 (Allentown) and I-279 (Northwest Pittsburgh).

Maryland: I-595 (West of Annapolis).

Virginia: I-495 (Capital Beltway-west near McLean).

Mr. WOLF. Please summarize your recommendations to FHWA, and the response.

[The information follows:]

We recommended the Federal Highway Administration Regional Administrator ensure Pennsylvania establishes a policy defining reasonableness and follows written guidelines for determining when the cost of noise mitigation exceeds their benefits. We also recommended FHWA withhold Federal participation for a noise wall Maryland plans to build which does not meet state criteria for reasonableness, request credits from Virginia and Pennsylvania for Federal funds spent on ineligible noise walls, and not permit Federal funding of future noise mitigation projects when state noise mitigation policies are not followed.

The FHWA Regional Administrator stated noise walls in Pennsylvania were justified. However, he agreed to have Pennsylvania establish criteria defining cost effectiveness of noise abatement measures and agreed to withhold Federal funding when state noise mitigation policies are not followed. The FHWA Regional Administrator disagreed that Federal funding should not participate in the construction of a planned noise wall in Maryland because of a prior commitment made through the National Environmental Policy Act process. He also did not agree to request credits from Virginia and Pennsylvania for Federal funds spent on ineligible noise walls which FHWA approved under "extenuating circumstances."

Mr. WOLF. Do you plan to take this study nationwide?

[The information follows:]

We have received a request from Senator Lieberman to perform a nationwide audit. We plan to start the audit in March 1994.

OIG PRIORITY INVESTIGATIONS

Mr. WOLF. Among the priorities listed in your statement for the coming year are continued involvement in detection of motor fuel excise tax evasion, detection of bid rigging in the road construction industry, and coverage of oversight of transportation of hazardous materials.

Based on your past examinations in these areas, briefly summarize the magnitude of the problem for each of the three.

[The information follows:]

The tax on motor fuels is the major funding mechanisms for the nation's highway system. The scope of the motor fuel excise tax (MFET) evasion problem is so large that a number of state and Federal criminal investigative agencies have combined their resources to form task forces around the country, and the OIG, representing departmental interests, is an integral part of this effort. We are now participating in 8 of the 10 ongoing task forces throughout the United States. To date, 60 indictments, 12 convictions, 11 years of incarceration, 4 years of probation, and \$437,142 in fines, restitution and Federal recoveries have resulted from MFET investigations.

We currently have 25 open investigations involving bid rigging in the retail gasoline and highway construction industries. Historical statistics have estimated that bid rigging accounts for at least a ten percent increase in the cost of building and maintaining our nations highways and roads. For FY 94, the Federal-aid program is budgeted for \$18.3 billion dollars. However, bid rigging is a "silent crime" with no complainants. Consequently, it is very difficult to detect such acts of collusion. Only through labor-intensive proactive efforts are indications of bid rigging normally uncovered and prosecuted. This, of course, represents a challenge for the limited resources of both state and Federal agencies.

Environmental incidents in the transportation of hazardous material affect every mode of transportation be it rail, highway, water, underground pipes or air, and the tasks of our hazardous materials (HAZMAT) investigations are equally disperse. We have a total of 17 HAZMAT investigations in our inventory. Historically there have been few environmental/hazardous waste investigations conducted by the OIG. In FY 1993, approximately 2.11 percent of our investigative resources were utilized on HAZMAT investigations. However, due to increased awareness nationwide on environmental issues and a corresponding increase in our case load, we plan to direct 10 percent of our investigative resources to HAZMAT issues in FY 1994.

FUEL TAX EVASION

Mr. WOLF. What is your estimate of how much money we are losing annually to fuel tax evasion?

[The information follows:]

The Internal Revenue Service and the Federal Highway Administration estimate that the Highway Trust Fund, our major source of funding for building and rebuilding our infrastructure, is being bilked of approximately \$1 billion annually through motor fuel tax evasion schemes. The states also lose approximately \$1 billion annually through motor fuel tax fraud.

USE OF MODERN TECHNOLOGY

Mr. PRICE. On page 15 of your written testimony, you discuss the need to spread the news about effective programs and practices. Have you made recommendations on using modern technology to further the Transportation Department's missions?

[The information follows:]

We have not performed any audits or assessments with the primary objective of determining what additional opportunities exist within the Department for applying information technology. We have viewed these types of assessments as research and development—an area in which many of the Operating Administrations we audit are already heavily involved. Instead, we have dedicated our scarce information technology audit resources to performing audits which have generally focused on system development, data integrity, and the effectiveness of internal controls. Our information technology auditors have also spent time providing proactive technical

advisory services on system development projects in the Department. Whenever possible during the course of these assignments, however, we have followed a long-standing OIG practice of attempting to address specific problems we identify by developing recommendations which take advantage of technological advances. For example, in a recent audit we suggested Transportation Computer Center management adopt the use of an automated maintenance analysis package to evaluate the application of system changes required to keep the Center's operating system software current. Developing this information manually is very labor intensive and time consuming. Similarly, in our recurring role as Department consultants on information technology matters, we recently evaluated, and recommended the Department consider acquiring, an automated risk assessment software package that would customize, standardize, and streamline the current manual process.

INFORMATION RESOURCE MANAGEMENT

Mr. PRICE. Specifically, how is information resource management used to create Government forms and to share valuable information with the transportation industry?

[The information follows:]

Information resource management (IRM) can act as a catalyst for generating new ideas or a central repository to collect and re-direct third party ideas that are worth sharing throughout an organization or with private industry. As an audit agency, we rarely have the time or resources to explore these areas but we have participated in sharing OIG-developed technology applications with other organizations, both within and outside DOT. For example, during the initial round of contacts with the internal DOT NPR task force, we provided information on the OIG's accomplishments in automating various aspects of our operations (including computer-generation of internal forms and implementation of an OIG-wide E-mail system) and discussed an ongoing project that involved sharing OIG-developed audit software with governments and private industry world-wide. Our office developed audit applications to assess operating system integrity and to do sophisticated file matches. A technical article we submitted to an information systems auditing newsletter with world-wide distribution generated considerable interest in our work and resulted in numerous requests from all over the world for the software. Another initiative involved discussions on sharing our computer resources (i.e., available capacity on our OIG mini-computer) with several other Inspector General offices and the establishment of their own management information systems base on our design. These examples may not have the dynamic impact that can be associated with initiatives like those specified in the Secretary's strategic plan, but they nonetheless represent technological advances that contribute, albeit more modestly, to the mission of the Department.

Mr. PRICE. Is the Department successful in making sure all information resource management tools are compatible?

[The information follows:]

Our knowledge regarding the Department's success in achieving compatibility in the use of IRM tools has been limited to a current review involving the Department's attempt to standardize its administrative computing operations—including hardware and software. This project, known as the Office Automation Technology and Services (OATS) contract, was initiated by FAA departmentwide with the intent of establishing standard or corporate software (e.g., word processing, spread sheet, data base, etc.) and hardware. OATS utilizes an indefinite delivery/indefinite quantity type contract that would also streamline the procurement process and limit the amount of bureaucratic red tape normally associated with individual, competitive procurements. The project has experienced sporadic success but has been criticized as being more expensive, offering fewer options, and limited in its ability to keep pace with technological changes and, because it was never made mandatory Departmentwide, its potential can never really be known. We are currently conducting an audit of the OATS contract and will enter the draft report preparation phase shortly.

ELECTRONIC TRANSMISSION USE

Mr. PRICE. Are there more opportunities to save the Department and industry time and to protect the environment by saving paper and decreasing pollution through using electronic transmission?

[The information follows:]

We have little doubt more opportunities to use modern technology exist Departmentwide, but considerable efforts already have been or are being made to use such technology in the Department. For example, the Secretary's recently completed strategic plan includes a goal to create a new alliance between the nation's transportation and technology industries to make them more efficient and internationally competitive. As evidence of his commitment to this goal, the Secretary has announced plans to accelerate development of the Intelligent Vehicle Highway System and to implement the Global Positioning System as the world's standard in the air, on land, and over water. In addition, we know of several completed plans and strategic initiatives, throughout several DOT Operating Administrations, which include the use of electronic data interchange (EDI). The Department's current 5-year IRM plan (which is to be updated in March 1994) includes the following examples:

One of FAA's major IRM initiatives involves the development of an agency-wide electronic mail system that will help information flow throughout the agency. This system will become the platform for electronic data interchange.

FAA's Aeromedical Certification Subsystem will provide more accurate and timely medical certification of airmen by permitting electronic transmission of vital data from an Airman Medical Examiner's office to the Aeromedical Certification Division.

The Federal Highway Administration provided state transportation agencies on-line access to Federal aid project data on the Fiscal Management Information System. FHWA proposed a Comprehensive Transportation Information and Planning System to the American Association of State Highway and Transportation Officials' Value Added Network and is now assisting in planning the process for developing the standard nationwide data model that will enable the integration of information from different state and FHWA databases.

The National Highway Traffic Safety Administration is exploring use of EDI as a means of receiving vital safety-related data/information from external private and government sources.

The Federal Railroad Administration implemented a prototype system to provide selected regional offices access to FRA's headquarters local area network for the purpose of expediting the exchange of information between headquarters and the regional and field offices.

These examples clearly indicate the Department's recognition of, and interest in, the potential tangible and intangible savings and improvements associated with EDI.

WORLDWIDE TRANSPORTATION DATA BASE

Mr. PRICE. On page two of your written testimony, you express a commitment to developing an effective intermodal transportation system. Are you overseeing the Department's and the Volpe Center's plans to develop one data base that would monitor worldwide transportation of goods and products from the manufacturer to the user?

[The information follows:]

The Department and Volpe Center have not published plans for the development of the database you described. However, the Department's Bureau of Transportation Statistics (BTS) is preparing the results of a Survey of Commodity Flow. This survey is historical in that it covers how goods have been moved in commerce during the survey period. BTS' plan is to release the survey report in 1995. We are preparing a briefing paper covering the BTS for consideration in our fiscal year 1995 Audit Plan.

ENVIRONMENTAL COMPLIANCE AND RESTORATION

Mr. PRICE. On page two of your written testimony, you affirm your commitment to "enhance our environment through wise envi-

ronmental decision". Can you give us some examples of the projects you plan to pursue to further environmental compliance and restoration?

[The information follows:]

In our rolling plan of potential audits are a number of audits we are considering for FY 1995 that have a direct or indirect environmental impact. They include Departmentwide audits of Procurement of Environmentally Sound Products & Services and Intermodal Transportation of Hazardous Material. Additionally, administration wide audits that deal with environmental issues are: Transportation of Hazardous Materials by Aircraft (FAA), Hazardous Materials Transportation Assessment Fees (RSPA), Processing Major Oil Spill Cleanup Claims and Costs (USCG), Major Oil Spill Cleanups (USCG), Inspection of Pipelines-Dockside Facilities (USCG), Superfund Transactions for FY 1993 Activities (USCG), Implementation of National Asbestos Control Program (FAA), Responding to Oil Pollution Emergencies (USCG), and hazardous Materials Programs (FRA).

Mr. PRICE. How successful have agencies in the Department been in sharing innovative solutions to environmental challenges? For example, a Coast Guard station figured out how to use 90 percent less soap to clean airplanes. Is every plane the Department owns now being cleaned with a tenth of the soap used before?

[The information follows:]

I do not know how successful the agencies in the department have been in sharing innovative solutions to environmental challenges. The example given of washing planes and reducing pollution refers to the technology used by the USCG to strip planes of paint during overhaul. This technique was not developed by the USCG. It was published in trade journals and is widely available to Government and industry. USCG shared its use of the paint stripping technique with other Government agencies and transportation industry groups during trade forums. Overhaul of the FAA planes is done by contractors, and we do not know if this technique is being used on their planes.

AIRPORT SECURITY

Mr. PRICE. You conclude on page eight of your written testimony that FAA oversight of airport security is inadequate. Robert Frost once asked what his neighbor was fencing in or out. How do you balance the traveling public's need to move around airports with the threat to their safety and property?

[The information follows:]

Our report and recommendation in no way hinder the traveling public's proper movement through the airport. Our audit of airport security and our findings focused on unauthorized entry to secure areas. As a rule, there would be no reason for the traveling public to access these areas and enhanced FAA oversight over unauthorized entries would not have a negative impact on the public.

As a result of our audit FAA has taken actions to enhance its oversight responsibilities of airport security. FAA actions include:

- Conducting meetings with industry executives (Air Transport Association, Airport Council International, American Association of Airport (Executives) and key government officials from the Federal Bureau of Investigation, in December 1993 and January 1994 to review findings of our report, review security threat conditions in the United States, and review a three-phase action plan to upgrade the effectiveness of the domestic civil aviation security system. Thus far the FAA has made more than 9,000 observations of access control points at the five airports originally inspected and 59 additional Category X and 1 airports within the US.

- Establishing a compliance and enforcement working group to identify and correct access control problems.

- Revising the inspection process to yield more detailed, comprehensive data and more effective detection of vulnerabilities and corrective actions.

FAA has also told us rules are being updated to increase accountability. The exemption not to display identification for safety reasons was eliminated on February 1, 1994. Now all persons who are in designated security areas of US airports must

display approved identification. A proposal to hold individuals, not just certificate holders, accountable for violations will be included in the revision of Federal Aviation Regulation Part 107. That Notice of Proposed Rulemaking is scheduled to be published in October 1994.

We have not yet assessed the effect these and other FAA actions have had on security at Category X and Category 1 Airports. However, successful implementation of these initiatives will enhance security.

Mr. PRICE. What dangers are airport security systems protecting against? Do airline employees or FAA workers have the greater responsibility for airport safety?

[The information follows:]

In general, airport security systems are designed to protect against acts of terrorism or unlawful interference to international and domestic civil aviation. These systems assist in preventing fatalities, injuries, and property losses which could result from intentional criminal acts.

Responsibility for airport safety is shared by airline employees and FAA employees with each playing different roles, neither necessarily having greater responsibility than the other. For example, securities systems must rely on airlines employees to ensure security doors are closed behind them, and combination locks are not activated in full view of travelers. FAA agents must continually test access systems to ensure all airline employees are meeting their responsibilities and demonstrate to airports and airlines through both oversight and enforcement actions that FAA considers breaches of security to be serious operational problems.

INVESTIGATIONS RETURN ON TAX DOLLARS

Mr. PRICE. On page eight of your written testimony, you discuss the return you get on tax dollars spent on investigations. How does the IG recovering \$4 for every dollar spent compare to other Departments, IG's?

[The information follows:]

According to the Office of Management and Budget, they are unaware of any other Department OIG which publishes statistics concerning the recovery of funds for every investigative dollar spent.

HAZARDOUS AND NOXIOUS SUBSTANCE TRANSPORTATION

Mr. PRICE. On page 13 of your written testimony, you announce the plan to investigate hazardous and noxious substance transportation. Will you elaborate on the types of hazardous and noxious substance transportation you, the Coast Guard, the FBI, and the EPA investigate?

[The information follows:]

The current role of the Department of Transportation (DOT) concerning hazardous materials hinges on the regulatory requirement of identifying, packaging and shipping of hazardous materials and hazardous wastes, which are all regulated by one or more of the various Operating Administrations with the Department. Almost all potential criminal violations in the environmental field deal with willful violations or misrepresentations made in association with the requirement of DOT regulations under the Hazardous Materials Transportation Act (HMTA). Additional DOT nexus to criminal violations come from a willful violation of regulations under the Federal Water Pollution Control Act, monitored jointly by the United States Coast Guard (USCG) and the Environmental Protection Administration (EPA).

Environmental crime statistics are soaring. The Department of Justice (DOJ) Environmental Criminal Statistics recorded 1,129 criminal indictments against corporations and individuals, and 835 guilty pleas from Fiscal Year (FY) 1983 through July of FY 1993. A total of \$261 million in criminal penalties has been assessed and more than 433 years of imprisonment have been imposed. Indictments have increased from 40 in FY 1983 to 187 in FY 1992 (a 467 percent increase).

U.S. Attorney General Janet Reno has advised that the U.S. Department of Justice's number three priority is the environment. This policy continues that of pre-

vious administrations who established an Environmental Crimes Section within the Environmental and Natural Resources Division of DOJ.

Coincidental to emphasis by DOJ in environmental crimes, several U.S. Attorney's by DOJ direction, established environmental divisions at a district level and dedicated full-time senior trial attorneys to spearhead the divisions and the Judicial District environmental task forces. The Offices of U.S. Attorneys, throughout the country, have looked to the OIG as the criminal law enforcement agency for the DOT and have recently been requesting more participation by the OIG on environmental task forces in their respective judicial districts. Various OIG investigative offices have been participating as their resources permit.

EPA is organized operationally into four major divisions plus the Office of Criminal Investigations. The EPA regulates hazardous waste "from cradle to grave." That includes the identification, transportation, storage, disposal, and recycling of all hazardous wastes. The Hazardous Waste Management Division administers and regulates the storage and removal of hazardous wastes, with the exception of air, oceans and wetlands. The Air and Toxins Division regulates the Clean Air Act and the Water Management Division shares the responsibility for the Clean Water Act with the U.S. Coast Guard. The Superfund program is administered by EPA External Affairs and the EPA Office of Inspector General has the oversight for fraud, waste and abuse.

EPA Criminal Investigations Division, has criminal enforcement responsibility and works closely with various U.S. Attorneys and other Federal law enforcement agencies. They are active in all environmental task forces. They recently received a Congressional mandate to increase their investigative staff for enforcement of criminal violations. EPA increased the number of special agents by 38 over the past year and plan to add 40 special agents for each of the next two years. That would be an increase of over 100 percent in three years. The increase in investigative staff came, in part, at the expense of other EPA divisions, an indicator of Congressional intent.

The Federal Bureau of Investigation (FBI) has environmental crimes as its number two priority in white-collar crimes. At the close of the third quarter of FY 1993, the FBI had 80 indictments and informations, 86 convictions and 481 open cases, all environmental crimes. They work both reactive and proactive investigations and during FY 1992 had the equivalent of 60 full-time special agents working hazardous materials crime. They are presently working joint cases with the U.S. Coast Guard and with the OIG in three regional offices. They are using sophisticated technology from the U.S. Coast Guard in addition to using their own satellite infra-red imaging. They are also heavily involved in organized crime investigations regarding waste disposal and cartage of hazardous waste.

OIG special agents presently participate in environmental task forces in our Chicago, Ft. Worth and San Francisco based regional offices. In California, each of the four U.S. Judicial Districts has an active environmental task force. U.S. Attorneys have consistently solicited the OIG's participation in environmental task forces.

Three OIG regional offices presently have active environmental investigations in their inventory of cases. One investigation recently resulted in an indictment and several indictments are anticipated in the near future from current investigations.

DOT'S MOST COMMON PROBLEMS

Mr. PRICE. What are the most common problems? Have oversight and investigation deterred violations?

[The information follows:]

The most common problem seems to be the lack of coordination in conducting these investigations by the various agencies having jurisdiction. The OIG intends to coordinate the various activities of the Operating Administrations for the purpose of having a unified departmental approach to this problem.

ATX AIRLINE

Mr. DELAY. As you know, ATX is in the middle of DOT's air carrier certification process. Earlier this month, I sent a letter of inquiry to your office regarding this certification. Basically the letter requests the information on the following two things.

Did the Department act improperly when it relied on outside political influence when deciding to subject ATX's application to an oral evidentiary hearing?

Did the Department exhibit a conflict of interest or give the appearance of such a conflict and, therefore, lack impartiality when it assigned Mr. William Wagner to be the lead public counsel in the ATX oral evidentiary hearing?

Have you had a chance to look into these concerns?

[The information follows:]

We initiated an investigation on February 16, 1994, into allegations of improper actions by the Department as well as conflict of interest allegations relative to Mr. Wagner's role in the ATX oral evidentiary hearing. Our report will be completed on or before March 18th and will be forwarded to the Office of Secretary for action.

Mr. DELAY. It is my understanding that ATX was afforded little or no assistance in the certification application process. Do you have any indication from your investigations that the Department neglected to act in an assisting manner?

[The information follows:]

We have not yet completed our investigation. However, an information packet was provided to ATX as is provided to any applicant who requests one. This packet provides an explanation of the process as well as guidance for preparation of the certification application. In addition, representatives for ATX requested and were granted a personal meeting with the Office of Aviation Analysis for information on additional material they should provide with their application regarding Frank Lorenzo. We have not yet identified any additional assistance which was requested, nor any requested assistance denied.

Mr. DELAY. Have you come across this statistic in your investigations?

[The information follows:]

Since January 1, 1988, the Department has processed 134 applicants. Of those, only two required oral evidentiary hearings. Those two applicants were Discovery and ATX, Inc. The primary issue in the Discovery hearing was foreign ownership; although there were also substantial objections from third parties. IN the ATX application there were substantial objections from third parties.

Mr. DELAY. Can you assure me and keep me informed throughout the remainder of the certification process of your findings?

[The information follows:]

Yes. If we determine any improper actions occurred or any conflict of interest exists or existed, those findings will be in our report, to which you will have full access.

CLOSING

Mr. CARR. With that, the Committee is adjourned.

[The justifications follow:]



U.S. Department of
Transportation

BUDGET ESTIMATES FISCAL YEAR 1995

**OFFICE OF THE
INSPECTOR GENERAL**

SUBMITTED FOR USE OF
THE COMMITTEES ON APPROPRIATIONS

FY 1995 BUDGET ESTIMATES
DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

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OFFICE OF INSPECTOR GENERAL
DISTRIBUTION OF FY 1994 ESTIMATE AND FY 1995 BUDGET REQUEST

(\$ IN THOUSANDS)

SALARIES AND EXPENSES

OFFICE	FY 1994 Estimate						FY 1995 Request					
	PC&B 1/	TVL 2/	OTHER	Total	POS	FTE 3/	PC&B 1/	TVL 2/	OTHER	Total	POS	FTE 3/
Office of Inspector General	\$353	\$1,943	\$6,486	\$8,782	4	4	\$371	\$1,794	\$6,331	\$8,496	4	4
AIG for Auditing	\$20,758			\$20,758	340	337	\$20,165			\$20,165	309	304
AIG for Inspections and Evaluations	\$1,519			\$1,519	25	24	\$1,601			\$1,601	25	24
AIG for Investigations	\$5,308		\$346	\$5,654	84	82	\$5,565		\$300	\$5,865	84	82
AIG for Policy, Planning and Resources	\$2,287			\$2,287	36	33	\$2,182			\$2,182	32	31
Total	\$30,225	\$1,943	\$6,832	\$39,000	489	480	\$29,894	\$1,794	\$6,631	\$38,319	454	445

1/ Does not include PCS travel benefits, summer and co-op hiring programs, and Investigative AUC.

2/ Does not include PCS travel.

3/ Includes non-calling FTEs.

OFFICE OF INSPECTOR GENERAL**Federal Funds**

General and Special funds:

SALARIES AND EXPENSES

For necessary expenses of the Office of Inspector General to carry out the provisions of the Inspector General Act of 1978, as amended, [\$39,000,000: Provided, That not more than \$1,000,000 of the funds made available under this head shall be available for implementation of Public Law 101-576] \$38,319,000. (Department of Transportation and Related Agencies Appropriations Act, 1994.)

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
Salaries and Expenses

Program and Financing (in thousands of dollars)

Identification code 69-0130-0-1-407	1993 actual	1994 est.	1995 est.
Program by activities:			
00.01 Direct program	37,897	39,000	38,319
01.01 Reimbursable program	169	----	----
10.00 Total obligations.....	38,066	39,000	38,319
Financing:			
25.00 Unobligated balance expiring	103	-----	-----
39.00 Budget authority (gross)	38,169	39,000	38,319
Budget authority:			
Current:			
40.00 Appropriation	38,000	39,000	38,319
Permanent:			
68.00 Spending authority from offsetting collections	169	---	---
Relation of obligations to outlays:			
71.00 Total obligations.....	38,066	39,000	38,319
72.40 Obligated balance, start of year:			
Treasury balance.....	5,399	2,739	2,730
74.40 Obligated balance, end of year:			
Treasury balance.....	-2,739	-2,730	-2,682
77.00 Adjustments in expired accounts....	-159	-----	-----
87.00 Outlays (gross)	40,567	39,009	38,367
Adjustments to budget authority and outlays:			
88.00 Offsetting collections from:			
Federal funds	-169	-----	-----
89.00 Budget authority (net)	38,000	39,000	38,319
90.00 Outlays (net)	40,398	39,009	38,367

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL

Program and Performance

This appropriation finances the cost of conducting and supervising audits, inspections and evaluations, and investigations relating to the programs and operations of the Department to promote economy, efficiency, and effectiveness and to prevent and detect fraud and abuse in such programs and operations. The 1995 budget includes funding to implement the Chief Financial Officers Act (P.L. 101-576), which requires audited financial statements of trust funds, revolving funds, and commercial type activities.

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
OBJECT CLASSIFICATION
(\$ IN THOUSANDS)

69-0130-0-1-407

	FY 1993 ACTUAL	FY 1994 ESTIMATE	FY 1995 ESTIMATE
Personnel Compensation:			
11.1 Full-time Permanent	\$23,238	\$23,968	\$24,147
11.3 Other Than Full-Time Permanent	\$411	\$402	\$198
11.5 Other Personnel Compensation	\$803	\$960	\$720
11.9 Total Personnel Compensation	\$24,452	\$25,330	\$25,065
12.1 Civilian Personnel Benefits	\$5,249	\$5,425	\$5,315
13.0 Benefits for Former Personnel	\$16	\$10	\$4
21.0 Travel and Transportation of Persons	\$1,833	\$1,985	\$1,828
22.0 Transportation of Things	\$19	\$30	\$24
23.2 Rental Payments to Others	\$83	\$93	\$93
23.3 Communications, Utilities and and Miscellaneous Charges	\$650	\$756	\$748
24.0 Printing and Reproduction	\$144	\$139	\$160
25.1 Consulting Services	\$28	\$29	\$25
25.2 Other Services	\$5,089	\$4,802	\$4,762
26.0 Supplies and Materials	\$144	\$166	\$120
31.0 Equipment	\$165	\$157	\$157
42.0 Insurance Claims & Indemnities	\$16	\$3	\$3
91.0 Unvouchered	\$9	\$75	\$15
99.0 Subtotal, Direct Obligations	\$37,897	\$39,000	\$38,319
99.0 Reimbursable Obligations	\$169	-	-
99.9 TOTAL OBLIGATIONS	\$38,066	\$39,000	\$38,319

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
RESOURCE SUMMARY - FINANCING

EXHIBIT IA

APPROPRIATION TITLE	BUDGET AUTHORITY		
	FY 1993	FY 1994	FY 1995
	ACTUAL BUDGET	BUDGET ESTIMATE	BUDGET ESTIMATE
Salaries and Expenses	\$37,897	\$39,000	\$38,319
TOTAL, BUDGET AUTHORITY	\$37,897	\$39,000	\$38,319

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
RESOURCE SUMMARY - FINANCING

EXHIBIT IB

<u>APPROPRIATION TITLE</u>	<u>PROGRAM LEVEL</u>		
	FY 1993 ACTUAL BUDGET	FY 1994 BUDGET ESTIMATE	FY 1995 BUDGET ESTIMATE
Salaries and Expenses	\$37,897	\$39,000	\$38,319
TOTAL, PROGRAM LEVEL	\$37,897	\$39,000	\$38,319

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
RESOURCE SUMMARY - FINANCING

EXHIBIT IC

APPROPRIATION TITLE	OUTLAYS		
	FY 1993 ACTUAL BUDGET	FY 1994 BUDGET ESTIMATE	FY 1995 BUDGET ESTIMATE
Salaries and Expenses	\$40,398	\$39,009	\$38,367
TOTAL, OUTLAYS	\$40,398	\$39,009	\$38,367

**DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
RESOURCE SUMMARY - STAFFING**

	AUTHORIZED POSITIONS (FULL-TIME PERMANENT)		
	FY 1993 ACTUAL BUDGET	FY 1994 BUDGET ESTIMATE	FY 1995 BUDGET ESTIMATE
<u>DIRECT FUNDED, BY APPROPRIATION</u>			
Salaries and Expenses	497	489	454
Subtotal, Direct Funded	497	489	454
<u>TOTALS, POSITIONS</u>	<u>497</u>	<u>489</u>	<u>454</u>

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
RESOURCE SUMMARY - STAFFING

FTE-TOTAL, SUBJECT TO CEILING

DIRECT FUNDED, BY APPROPRIATION	FTE-TOTAL		
	FY 1993 ACTUAL BUDGET	FY 1994 BUDGET ESTIMATE	FY 1995 BUDGET ESTIMATE
Salaries and Expenses	495	480	445
Subtotal, Direct Funded	495	480	445
TOTALS, FTE-TOTAL, SUBJECT TO CEILING	493	478	443
Ceiling: FTE - FTP	491	476	441
Ceiling: FTE - OTFTP	2	2	2
NONCEILING FTE TOTALS	2	2	2
Non-Ceiling: FTE - FTP			
Non-Ceiling: FTE - OTFTP	2	2	2
FTE GRAND TOTALS	495	480	445
FTE - FTP	491	476	441
FTE - OTFTP	4	4	4

DEPARTMENT OF TRANSPORTATION
OFFICE OF INSPECTOR GENERAL
SUMMARY STATEMENT
Salaries and Expenses

DESCRIPTION

The Inspector General Act of 1978, as amended, provides for the establishment of an organization to be independent and objective in conducting and supervising audits and investigations designed to: (1) promote economy, efficiency, and effectiveness and prevent fraud, waste, and abuse in Departmental programs and operations; and (2) provide a means of keeping the Secretary of Transportation and Congress fully and currently informed of problems and deficiencies in the administration of such programs and operations.

OBJECTIVES

The Inspector General Act requires the Office of Inspector General (OIG) to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of the Department. To accomplish its mission, the OIG must establish and maintain relationships between the Department of Transportation (DOT) and other Federal agencies and state and local governments with respect to their audit and investigative responsibilities.

The Inspector General (IG) directs the mission and functions of the OIG, including: ascertaining the need for, formulating, and recommending Departmental policy, plans, and programs for audits, inspections and evaluations, and investigations; managing audits, inspections and evaluations, investigations, and administrative functions relating to programs and operations of the Department; providing leadership and coordination as well as recommending policies for activities designed to promote economy, efficiency, and effectiveness, and to prevent and detect fraud and abuse in the administration of Departmental programs and operations; and providing means for keeping the Secretary and Congress fully and currently informed about problems and deficiencies relating to the administration of Departmental programs and operations, and the progress of corrective actions. In carrying out these responsibilities, the IG and/or the Deputy IG exercise executive direction over the functions of Auditing; Inspections and Evaluations; Investigations; and Policy, Planning, and Resources.

The Assistant Inspector General for Auditing (AIGA) ensures compliance with the standards established by the Comptroller General of the United States, the President's Council on Integrity and Efficiency (PCIE), and other professional guidelines for all audits performed in or for the Department. The audit organization conducts the following types of internal audits: financial and compliance, economy and efficiency, and program results. Protective audits are

also performed to evaluate the business management practices of smaller activities which would not receive audit coverage as part of the larger scope audits of Departmental programs. Oversight is maintained over audit work performed by independent public accountants of grantees under the Single Audit Act of 1984, the Defense Contract Audit Agency (DCAA) for contracts anticipated or awarded by the Department, and audits of financial statements of Departmental entities or activities performed by public accounting firms in accordance with the Chief Financial Officers (CFO) Act of 1990. Support is also provided to investigations and inspections and evaluations.

The Assistant Inspector General for Inspections and Evaluations (AIGE) provides independent and objective inspections and evaluations of the programs and operations of the DOT. These inspections and evaluations review management, operational, policy, regulatory, and/or legislative implications of transportation related issues, providing the Secretary, program managers within DOT, and the Congress with timely feedback and reports. Inspections and evaluations are designed to support overall OIG fraud, waste, and mismanagement missions. An inspection is program specific and is used for management analysis and for focused, on-site review. An inspection will determine if a program follows established policies, procedures, and guidelines and is managed properly. An evaluation looks at the effectiveness of a program. An evaluation will determine if a program achieves its goals and if these goals are contributing to the overall goals of the Department. Frequently, both inspection and evaluation activities exist in the same review. Inspections and evaluations are intended to provide more immediate and timely feedback to program managers and, in some instances, may provide suggestions for future audits or referrals for criminal investigations.

The Assistant Inspector General for Investigations (AIGI) directs and controls the performance of all investigative activities under the authority of the IG. These investigations involve: alleged violations of fraud against the Government, false claims and statements, bribery, embezzlement, kickbacks, or other fraudulent or criminal activities affecting DOT programs, contracts, and operations; alleged violations of other Federal statutes and laws pertaining to DOT grants and contracts; allegations of bid rigging of federally funded construction projects; alleged improprieties on the part of Departmental employees and others in connection with DOT programs; noncompliance with legislative or administrative requirements relating to DOT programs; and alleged violations of DOT standards of conduct by Departmental employees. These investigations involve both proactive and reactive activities designed to maintain the Department's integrity and protect its resources from fraud, waste and/or program abuse.

The Assistant Inspector General for Policy, Planning, and Resources (AIGP) develops overall OIG policy for the performance of audit, inspection and evaluation, investigative, and administrative activities. This organization is

responsible for: reviewing and commenting on legislative and regulatory proposals of the Department as required by the IG Act; performing quality assurance reviews of audit, inspection and evaluation, and investigative practices to ensure compliance with OIG policies and procedures, and professional standards; maintaining an audit followup and tracking system; preparing the OIG Semiannual Report to Congress; developing and maintaining a long-range strategic plan to ensure OIG audits, inspections and evaluations, and investigations address the most current transportation issues and are responsive to Departmental needs; providing program and budget formulation and execution, and financial and administrative support services for the OIG; providing personnel management, recruitment, classification, and staff development services; and managing the OIG's Audit and Investigation Computer Integration System (AICIS) information resources, and Management Information System (MIS) data base.

ACCOMPLISHMENTS

During the Fiscal Year (FY) 1993, the Office of the AIGA issued 2,456 audit reports and made recommendations to improve the economy, efficiency, and effectiveness of DOT programs and operations with a potential impact of \$488.9 million and questioned the eligibility of \$302.5 million of costs. Resolution of audit reports resulted in management's commitment to seek recoveries and more effectively use resources amounting to \$570.4 million.

The OAIGE issued 26 reports, letters, and other responses, containing a total of 13 recommendations for improving departmental operations.

The OAIGI conducted investigations that resulted in 95 convictions; 150 indictments; and \$36.1 million in fines, court-ordered restitution, administrative actions, and cost avoidance.

Specific accomplishments for each organization are discussed in the appropriate sections of this budget submission.

REQUEST HIGHLIGHTS

The FY 1995 request is for \$38.319 million which is a net decrease of \$681 thousand below the \$39 million enacted in FY 1994. Except for an increase in printing and reproduction, decreases have been recognized in most budget categories.

The OIG has budgeted \$115,000 to fund the Transit Benefit Program and \$867,000 to support activities coordinated through the Working Capital Fund.

The OIG request includes \$25,000 for advisory and assistance services as defined by Office of Management and Budget (OMB) Circular A-120 pursuant to the Budget and Accounting Act of 1921, as amended, 31 U.S.C. 1114(a). For technical engineering analysis for audits, inspections and evaluations, and investigations performed by the OIG, handwriting and laboratory analyses required for investigations, \$10,000 has been identified. The remaining \$15,000 is needed for Equal Employment Opportunity (EEO) investigations and supervisory training.

The staffing levels requested for FY 1995 are 454 full-time permanent positions and 454 ceiling and nonceiling FTEs, representing a decrease to the FY 1994 enacted budget of 35 positions and 35 FTEs.

More detail on the requested funding level is contained in the following justification.

SUMMARY OF REQUIREMENTS

		<u>FY 1995 ESTIMATE</u>
FY 1994 ENACTED BUDGET		\$39,000
PERSONNEL COMPENSATION & BENEFITS		(\$394)
FY 1994 Locality Pay	\$219	
FY 1995 1.6% Pay Raise	\$315	
Decrease in Positions offset by		
Career Promotions and Benefits	(\$840)	
Administratively Uncontrollable Overtime	(\$46)	
Unemployment & Workman's Compensation	(\$42)	
TRANSPORTATION OF THINGS		(\$150)
Transportation of Persons	(\$149)	
Transportation of Things	(\$1)	
COMMUNICATIONS, UTILITIES AND MISCELLANEOUS		(\$8)
PRINTING & REPRODUCTION		\$21
OTHER SERVICES		(\$104)
Human Resources	(\$1)	
Training	(\$15)	
Field Investigations	(\$8)	
Other Costs	(\$80)	
Working Capital Fund		
(Includes only the amounts charged to "Other Services")	\$10	
Maintenance	(\$13)	
Other Contract Services		
DCAA	(\$16)	
Various Contracts	\$21	
Other Reimbursable Agreements	\$27	
Miscellaneous	(\$29)	
SUPPLIES & MATERIALS		(\$46)
AICIS & Other Automated Data		
Processing (ADP) Supplies	(\$29)	
Office & Other Supplies	(\$17)	
FY 1995 TOTAL		\$38,319 =====

BUDGET JUSTIFICATION

Office of Inspector General

	FY 1994 <u>Estimate</u>	FY 1995 <u>Estimate</u>	<u>Difference</u>
Permanent Positions	4	4	0
Full Time Equivalents	4	4	0
Personnel Compensation and Benefits	\$353,000	\$371,000	\$18,000
Operating Costs	<u>\$8,429,000</u>	<u>\$8,124,700</u>	<u>(\$304,300)</u>
TOTAL	<u>\$8,782,000</u>	<u>\$8,495,700</u>	<u>(\$286,300)</u>

The Inspector General (IG) Act calls for the Office of the Inspector General (OIG) to conduct, supervise, and coordinate audits, inspections and evaluations, and investigations relating to the programs and operations of the Department. The OIG is required to coordinate relationships between the Department of Transportation (DOT) and other Federal agencies and state and local governments with respect to their audit, inspection and evaluation, and investigative responsibilities.

Change in Resources

The increase in personnel compensation is to annualize the Fiscal Year (FY) 1994 locality pay increase, to fund the FY 1995 pay raise, to fund career promotions, and to fully support the benefits associated with these personnel compensation increases. The adjustments in operating costs are detailed on the following pages.

Operating Costs Applicable to Entire OIG

	FY 1994 Request	FY 1995 Request	Difference
OTHER PC&B			
Unemployment and Workman's Compensation (Includes WCF)	\$90,000	\$48,000	(\$42,000)
Summer Employment Program	\$0	\$0	\$0
Co-op Recruitment Program	\$0	\$0	\$0
TOTAL, OTHER PC&B	\$90,000	\$48,000	(\$42,000)
Costs Associated with PCS MOVES	\$195,000	\$195,000	\$0
TRAVEL & TRANSPORTATION			
Travel and Transportation of Persons	\$1,943,200	\$1,794,000	(\$149,200)
Travel and Transportation of Things (excludes PCS)	\$5,000	\$4,000	(\$1,000)
TOTAL, TRAVEL & TRANSP.	\$1,948,200	\$1,798,000	(\$150,200)
RENTAL PMTS TO OTHERS	\$93,000	\$93,000	\$0
COMMUNICATIONS, UTILITIES & MISCELLANEOUS			
Equipment Rental			
ADP (includes lease to purchase)	\$200,000	\$180,000	(\$20,000)
Other	\$42,000	\$36,700	(\$5,300)
Subtotal, Equipment Rental	\$242,000	\$216,700	(\$25,300)
Local Phone (WCF)	\$118,000	\$152,000	\$34,000
Local Phone (Non-WCF)	\$83,670	\$90,000	\$6,330
Federal Telecommunications System (WCF)	\$39,000	\$50,000	\$11,000
Federal Telecommunications System (Non-WCF)	\$123,330	\$100,300	(\$23,030)
Long Distance (Credit & Hotline)	\$9,000	\$9,000	\$0
Mail, Non-WCF	\$47,000	\$37,000	(\$10,000)
Mail, WCF (Includes metered mail)	\$94,000	\$93,000	(\$1,000)
TOTAL, COMMUNICATIONS & MISC.	\$756,000	\$748,000	(\$8,000)
PRINTING & REPRODUCTION			
General Services Administration	\$3,200	\$16,000	\$12,800
WCF	\$135,800	\$144,000	\$8,200
TOTAL, PRINT & REPRODUCTION	\$139,000	\$160,000	\$21,000

	<u>FY 1994 Request</u>	<u>FY 1995 Request</u>	<u>Difference</u>
OTHER SERVICES			
Recruitment and Staffing			
Brochures/Ads/Displays	\$0	\$0	\$0
Job Fairs (Professional)	\$500	\$500	\$0
Job Fairs (Clerical)	\$100	\$100	\$0
Subtotal, Recruitment	\$600	\$600	\$0
Minority Programs			
Black History Month Celebration	\$300	\$300	\$0
ML King, Jr. Birthday Celebration	\$100	\$100	\$0
Hispanic Her. Week Celebration	\$300	\$300	\$0
Minority College Recruitment	\$1,800	\$900	(\$900)
DOT/GLOBE	\$0	\$0	\$0
Asian Pac. Am. Her. Celebration	\$300	\$300	\$0
Subtotal, Minority Prog.	\$2,800	\$1,900	(\$900)
Handicapped/Disabled (H/D) Veterans			
Affirmative Action Program	\$0	\$0	\$0
Special Placement Coordination	\$300	\$300	\$0
Employ the Handicap Celebration	\$200	\$200	\$0
Veterans Recognition Activities	\$100	\$100	\$0
Videotapes/Films	\$200	\$200	\$0
Reasonable Accommodate Equipment	\$400	\$400	\$0
Interpreter	\$400	\$400	\$0
Subtotal, H/D Veterans	\$1,600	\$1,600	\$0
Special Emphasis Women's Program (FWP)			
Special Event Lunch Speaker	\$700	\$500	(\$200)
Women's Week Celebration	\$600	\$500	(\$100)
OIG Women's Conference	\$900	\$700	(\$200)
Videotapes/Newsletters	\$200	\$200	\$0
Biennial Conference	\$0	\$0	\$0
Subtotal, FWP	\$2,400	\$1,900	(\$500)
Retirement Benefits			
Brochures	\$0	\$0	\$0
Videos: Pre-planning	\$0	\$0	\$0
Certificates	\$300	\$300	\$0
Subtotal, Retirement Benefits	\$300	\$300	\$0
Training			
General	\$200,000	\$180,000	(\$20,000)
EEO	\$0	\$5,000	\$5,000
Subtotal, Training	\$200,000	\$185,000	(\$15,000)

	<u>FY 1994 Request</u>	<u>FY 1995 Request</u>	<u>Difference</u>
Field Investigations (Includes WCF)	\$64,000	\$56,000	(\$8,000)
Other Costs (Includes Unvouchered)	\$117,200	\$37,000	(\$80,200)
Working Capital Fund (WCF)			
Occup. Safety & Health Admin.	\$4,000	\$4,000	\$0
Special Programs/Child Care	\$3,000	\$3,000	\$0
HQ Space	\$30,000	\$0	(\$30,000)
Employment Information Center	\$6,000	\$6,000	\$0
Building Management	\$96,000	\$117,000	\$21,000
Health & Fitness	\$8,000	\$6,000	(\$2,000)
Library	\$69,000	\$76,000	\$7,000
Parking	\$2,000	\$3,000	\$1,000
Chauffeur/Shuttle	\$3,000	\$7,000	\$4,000
Building Security	\$53,000	\$58,000	\$5,000
DAFIS	\$18,000	\$22,000	\$4,000
Imprest Fund	\$2,000	\$2,000	\$0
Transit Benefit Program	\$3,000	\$3,000	\$0
Subtotal, WCF	\$297,000	\$307,000	\$10,000
Maintenance			
General Equipment	\$17,400	\$5,000	(\$12,400)
Investigative Equipment	\$2,100	\$2,000	(\$100)
Building Alterations	\$0	\$3,000	\$3,000
ADP - Minicomputer	\$30,000	\$28,000	(\$2,000)
ADP - Office Equipment	\$111,000	\$100,000	(\$11,000)
Software			
VM Center	\$10,000	\$15,000	\$5,000
SAS	\$17,000	\$25,000	\$8,000
Dylakor	\$16,000	\$15,000	(\$1,000)
Simtrans & Master	\$3,000	\$5,000	\$2,000
FOCUS - PC & Mini	\$14,000	\$12,000	(\$2,000)
AICIS	\$2,000	\$0	(\$2,000)
Subtotal, Software	\$62,000	\$72,000	\$10,000
Subtotal, Maintenance	\$222,500	\$210,000	(\$12,500)
Other Contract Services			
DCAA	\$3,451,000	\$3,435,400	(\$15,600)
CFO	\$0	\$0	\$0
EPA	\$0	\$21,600	\$21,600
HHS	\$32,100	\$35,000	\$2,900
Engineering Consulting Svcs	\$10,000	\$5,000	(\$5,000)
Investigations Tech Svcs	\$5,000	\$5,000	\$0
Other Contractor Support			
EEO Investigations	\$9,000	\$10,000	\$1,000
Supervisory Training	\$5,000	\$5,000	\$0
Subtotal, Other Contr. Svcs	\$3,512,100	\$3,517,000	\$4,900

	<u>FY 1994 Request</u>	<u>FY 1995 Request</u>	<u>Difference</u>
Other Reimbursable Agreements			
Office of General Counsel	\$92,000	\$95,000	\$3,000
Admin Support (Field)	\$8,000	\$15,000	\$7,000
FAA Accounting Support	\$152,000	\$153,000	\$1,000
Personnel System (PMIS)	\$16,600	\$18,000	\$1,400
Payroll System (CUPS)	\$108,900	\$109,000	\$100
Drugs Testing	\$6,000	\$9,200	\$3,200
Health and Counseling	\$46,200	\$50,000	\$3,800
Other (Includes miscellaneous WCF)	\$17,200	\$24,800	\$7,600
Subtotal, Other Reimb. Agreements	\$446,900	\$474,000	\$27,100
Miscellaneous	\$38,600	\$10,000	(\$28,600)
TOTAL, OTHER SERVICES	\$4,906,000	\$4,802,300	(\$103,700)
SUPPLIES & MATERIALS			
AICIS Software			
Micro	\$29,100	\$15,000	(\$14,100)
ADP Supplies	\$30,000	\$15,000	(\$15,000)
Office Supplies	\$91,900	\$80,000	(\$11,900)
Subscriptions	\$5,000	\$5,500	\$500
Other Supplies	\$10,000	\$4,500	(\$5,500)
TOTAL, SUPPLIES & MATERIALS	\$166,000	\$120,000	(\$46,000)
FURNITURE & EQUIPMENT (F&E)			
General	\$25,000	\$50,000	\$25,000
Specialized Investigative	\$0	\$25,000	\$25,000
AICIS Hardware			
Micro	\$132,400	\$82,400	(\$50,000)
Mini Upgrades	\$0	\$0	\$0
TOTAL, F&E	\$157,400	\$157,400	\$0
INSUR. CLAIMS & INDEMN.	\$3,000	\$3,000	\$0
TOTAL OPERATING COSTS	\$8,453,600	\$8,124,700	(\$328,900)

Explanation of Changes

The \$21,000 increase in printing and reproduction will support Working Capital Fund (WCF) activities and the Regions' use of the General Services Administration (GSA) Cost per Copy Program. Except in this area, the majority of the OIG wide budget categories decreased. These adjustments have resulted in a net decrease of \$328,900 in operating costs. Since the OIG proposes to reduce staffing levels in FY 1995, operating costs also reflect corresponding reductions.

OFFICE OF THE ASSISTANT INSPECTOR GENERAL FOR AUDITING
SUMMARY STATEMENT

Description

Under the authority of the IG Act of 1978, as amended, and under the executive direction of the IG and Deputy IG, the Assistant Inspector General for Auditing (AIGA) supervises and conducts all audit activities related to DOT programs and operations. As overseer of all audit activities, the AIGA ensures compliance with the standards established by the Comptroller General of the United States, the PCIE, and other professional guidelines. In addition, the AIGA provides oversight for: audit work performed by independent public accountants under the Single Audit Act of 1984, audit work by the Defense Contract Audit Agency (DCAA) and other audit organizations for contracts anticipated or awarded by the Department, and audits of financial statements of departmental entities or activities. Also, support is provided to Inspections and Evaluations and Investigations as needed.

In FY 1994, the Office of the AIGA consisted of the AIGA's immediate office (JA-1), the Deputy AIGA (JA-2), three Headquarters offices (JA-10, JA-20, and JA-30), and eight regional offices. In order to achieve the FY 1995 budget target, the Office of the AIGA will consolidate the Headquarters offices.

Audit Resources

A breakdown of audit positions by office and function is provided below.

Office	Management and Supervision	Clerical and Administrative Support	Technical Support	Internal Audits	Contract, Grant, and Subsidy Audits	Hotline Complaints	Total Pos.
JA-1	1	1	-	-	-	-	2
JA-2	5	2	3	-	-	-	10
JA-10	4	4	-	38	3	1	50
JA-20	-	-	-	-	-	-	0
JA-30	4	4	2	33	2	1	46
JRA-II	4	3	-	22	1	-	30
JRA-III	3	2	-	16	-	-	21
JRA-IV	4	3	-	23	4	-	34
JRA-V	3	2	-	17	-	-	22
JRA-VI	4	2	-	20	-	-	26
JRA-VII	3	2	-	14	-	-	19
JRA-IX	4	2	-	21	-	-	27
JRA-X	3	2	-	17	-	-	22
Totals	42	29	5	221	10	2	309

Management and Supervision - Senior Headquarters and field audit officials who direct the performance of all audits relating to DOT programs and operations.

Clerical and Administrative Support - Staff members who type reports and correspondence, answer telephones, file documents, and perform other duties in support of the audit mission.

Technical Support - Includes two computer specialists involved in provision of automated data retrieval and analysis services for the entire OIG. Also included is one statistical advisor, an engineer advisor, and an auditor responsible for planning and audit tracking systems. The statistical advisor provides consulting advice to OIG personnel and Departmental requesters on the appropriate use of statistical and mathematical techniques in the execution of audits, inspections and evaluations, investigations, and Departmental operations. The engineer advisor acts as engineering consultant to auditors, inspectors, and investigators, providing expert advice and overseeing engineers detailed to or under contract with the OIG. Automated Data Processing (ADP), statistical, and engineering advice is used extensively in the development of audit methodology and in the evaluation of technical findings.

Internal Audits - These resources are used to conduct performance and financial audits of major programs and activities of the Department. These audits involve the propriety of financial operations, the evaluation of economy and efficiency of operations, and reviews of program results. During FY 1993, we issued 122 internal audit reports with \$365 million of costs questioned and unsupported as well as funds to be put to better use.

Economy and efficiency audits include determining: (1) whether the entity is acquiring, protecting, and using its resources (such as personnel, property, and space) economically and efficiently; (2) the causes of inefficiencies or uneconomical practices; and (3) whether the entity has complied with laws and regulations concerning matters of economy and efficiency.

Program audits include determining: (1) the extent to which the desired results or benefits established by the Congress are being achieved; (2) the effectiveness of organizations, programs, activities, or functions; and (3) whether the entity has complied with laws and regulations applicable to the program.

Financial statement audits determine (1) whether the financial statements of an audited entity present fairly the financial position, results of

operations, and cash flows or changes in financial position in accordance with Generally Accepted Accounting Principles, (2) whether the entity has internal control structures which provide reasonable assurance of achieving its internal control objectives, and (3) whether the entity has complied with laws and regulations for those transactions and events that may have a material effect on the financial statements.

Financial related audits include determining whether (1) financial information and related items are fairly presented in accordance with established criteria, and (2) the entity has adhered to specific financial compliance requirements.

Contract Audits - These audits are performed to advise the Department's contracting officers whether contractors' costs, either actual or estimated, are fairly presented. To this end, the auditor determines if contractors have followed applicable Federal regulations and cost accounting standards in pricing goods or services that are being procured by DOT. Although we have responsibility for all contract audit services required by DOT procurement offices, most of this contract audit work is accomplished by DCAA under a reimbursable agreement. We review each audit report as received and transmit, on a biweekly basis, a summarization of audit results to the appropriate procurement offices. For each report reviewed, this summarization identifies the management actions needed on the audit findings and recommendations. During FY 1993, these audits recommended reductions of \$194 million from contractor proposals and \$136 million from contractor-claimed incurred costs. They also identified \$66 million of unsupported costs.

Grant and Subsidy Audits - Under the provisions of the Single Audit Act of 1984 (P.L. 98-502), any state or local government grantee which receives \$100,000 or more a year in Federal funds is required to have an audit by an independent auditor. The Act mandates that the audit cover the entire financial and compliance operations of the organization. Our resources are used to provide technical advice to grantees and their independent auditors to ensure that audits are accomplished in accordance with established performance and reporting standards. OIG oversight is carried out through desk reviews of the audit reports and quality control reviews of the audit work performed. A desk review is an evaluation of an audit report to determine if it meets the requirements of the Office of Management and Budget (OMB) Circular A-128 and the reporting standards issued by the Comptroller General of the United States. A quality control review is a review of the independent auditor's working papers supporting an individual audit to determine whether the audit work meets the requirements of OMB Circular A-128 and the standards for working paper preparation issued by the Comptroller

General. DOT provides grants totaling more than \$21 billion annually to about 2,300 recipients. OIG is the cognizant Federal agency for 764 recipients of Federal aid. Federal cognizant responsibility for the remainder of DOT's Federal-aid recipients is primarily assigned to the Department of Health and Human Services (HHS) and the Department of Housing and Urban Development. During FY 1993, a total of 1,365 grant/subsidy audit reports were issued with \$56 million of questioned costs, unsupported costs, and funds to be put to better use.

Resources are also used in support of the audits of the Maritime Administration's Operating Differential Subsidy Program and the subsidy audits related to claims made by air carriers for the Office of the Secretary's Essential Air Service (EAS) Program. EAS claims are for subsidized scheduled air service to eligible small communities that would not otherwise be served by air carriers as a result of airline deregulation.

Hotline Complaints - Audit resources are used to verify allegations of fraud, waste, abuse, and mismanagement relating to DOT programs that are submitted to the DOT Hotline. For FY 1993, 14 hotline complaints were submitted to and responded by the audit staff. These complaints involved: (1) waste of government funds on contracts, (2) improper use of non-appropriated funds, (3) mismanagement and personnel improprieties, and (4) misuse of government resources.

BUDGET DATA

	<u>FY 1994</u> <u>Estimate</u>	<u>FY 1995</u> <u>Estimate</u>	<u>Difference</u>
Permanent Positions	340	309	-31
Full Time Equivalents	337	304	-33
Personnel Compensation and Benefits	<u>\$20,758,000</u>	<u>\$20,165,600</u>	<u>(\$592,400)</u>
TOTAL	<u>\$20,758,000</u>	<u>\$20,165,600</u>	<u>(\$592,400)</u>

Change in Resources

The decrease in personnel represents the Office of the AIGA allocation of the OIG's position reduction directed in the February 10, 1993 Executive Order, "Reduction of 100,000 Federal Positions" and position reductions identified so the OIG can achieve the mandated budget targets. The costs associated with these position decreases have been offset by resources needed to annualize the FY 1994 locality pay raise, to fund the FY 1995 increase, and to fund career promotions and the associated benefit increases.

OBJECTIVES AND ACCOMPLISHMENTS

Office of the Assistant Inspector General for Auditing

The AIGA and Deputy AIGA manage, supervise, and direct all audit activities. The staff within this office has the responsibility for oversight of the Headquarters and field office operations, statistical and engineering support, and other administrative tasks required within the audit organization.

In addition to fulfilling its coordinator and facilitator role, the Offices of the AIGA and Deputy AIGA act as a quality control element for audit activity in the OIG. This function is accomplished by reviewing selected audit reports and working papers to ensure that our audits are conducted in accordance with Government Auditing Standards. Technical support to audits includes statistical and engineering reviews in audit planning and performance. Statistical support to Operating Administration and Departmentwide audits has significantly enhanced the value of these assessments to DOT management. This office also responds to numerous inquiries from the public and private sectors concerning audit activity in the DOT.

Audit Offices Located in Washington, DC.

During much of FY 1994, we operated the following three offices in the Washington, DC. area.

Office of Aviation and Surface Transportation Audits

Supervised and conducted the performance of auditing activities of aviation and surface transportation programs relating to the Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), National Highway Traffic Safety Administration (NHTSA), Federal

Railroad Administration (FRA), Federal Transit Administration (FTA), Research and Special Programs Administration (RSPA), and the Office of the Secretary of Transportation's (OST) Essential Air Service (EAS) subsidies for air carriers.

Office of Marine and Departmentwide Audits

Supervised and conducted the performance of auditing activities relating to the U.S. Coast Guard (USCG), Maritime Administration (MARAD), as well as major audits that span all DOT Operating Administrations.

Office of Information Technology and Financial Audits

Supervised and conducted information technology and financial auditing activities within DOT, including oversight of contract audits and the provision of automated data extraction and analysis services to OIG audit, inspection and evaluation, and investigation staff as requested.

Accomplishments

During FY 1993, the Headquarters offices issued 37 internal audit reports and 1 EAS subsidy audit report. These reports contained 192 recommendations to improve the economy, efficiency, and effectiveness of DOT programs and operations. Also during FY 1993, these offices forwarded 486 contract audit requests received from departmental procurement offices to DCAA, HHS, or other audit organizations; reviewed 967 audit reports produced by these organizations; prepared synopses of these reports; and transmitted results back to the appropriate procurement offices. These statistics substantially exceeded the OIG's FY 1992 contract audit oversight activity. (In FY 1992, the OIG processed 372 contract audit requests and 524 reports.) Further, for FY 1994 the office streamlined its procedures for handling contract audit reports. Under these revised procedures, the office processed 237 contract audit reports and 86 audit requests during the first quarter of FY 1994.

A brief description of eight audit reports issued by the Headquarters offices during FY 1993 follows.

FHWA had established adequate controls over the process for evaluating and selecting projects in the Discretionary Bridge Program. While FHWA had established generally effective controls to ensure that funds were obligated within the fiscal year, additional controls were needed to (1) ensure that projects advance to the construction phase in a timely manner, (2) promptly identify and withdraw unneeded funds for use on

other discretionary bridge projects, and (3) adequately document the basis for final project selection and funding decisions. The nationwide review specifically identified 10 projects with \$5.6 million in excess funds that could have been withdrawn and made available for other discretionary bridge projects. Improved controls will result in more effective utilization of discretionary bridge funds. FHWA concurred with the report and agreed to implement the recommendations. (Report Number AS-FH-3-003)

FAA Sponsored Higher Education Programs did not achieve intended objectives. If the education programs were adequately planned, appropriately evaluated, and more closely monitored, unneeded programs may have never been established and existing programs may have been curtailed. In the 1980's when abundant employment opportunities existed, FAA did not capitalize on the Airway Science (AWS) training provided by institutions of higher learning. Graduates of the AWS Program were not actively recruited or hired by FAA because their knowledge, skills, and abilities were not compatible with FAA employment needs. In 1991, FAA established the Collegiate Training Initiative for Air Traffic Controllers (CTI-ATC) Program. The program is not needed because FAA anticipates few vacancies for air traffic controller positions. For Fiscal Years 1982 through 1993, approximately \$119 million has been committed to fund higher education programs offering minimal benefits to FAA. FAA foresees limited opportunities for such graduates in the future. FAA agreed to discontinue requests for AWS and CTI-ATC grant funds and will continue to express to the House and Senate Appropriation Subcommittees its nonsupport of designated grant awards. (Report Number AV-FA-3-010).

Improvements were needed in USCG procedures and controls for identifying, monitoring, and establishing intervals for calibration of test equipment. The audit showed (1) 34 percent of test equipment was not calibrated as required; (2) the quality of contractor repairs of test equipment needed to be better monitored; and (3) the calibration intervals on certain test equipment should be revised. Uncalibrated test equipment could have an adverse impact on the operation of communications and navigation equipment, which could lead to possible collisions, groundings, and inaccurate deployment of weapons. In addition, approximately \$600,000 could be saved over a 2.5-year period by revising calibration intervals. Furthermore, the test equipment inventory and the Electronic Equipment Information System (EEIS) needed to be updated and corrected. In a sample of 771 test equipment items, 49 could not be found, 96 were excess to current needs, and the on-hand test equipment balance did not reconcile with the EEIS database. About \$1.1 million in test equipment items were missing and the EEIS

used for management decisions and reporting purposes contained incomplete and inaccurate data. USCG officials generally concurred with the findings and recommendations. (Report Number AV-CG-3-004)

Opportunities exist for the USCG to reduce future costs by as much as \$1.3 million and improve the effectiveness of the Configuration Management (CM) Project during its development. The CM Project is designed to provide a systematic means for documenting and controlling the configuration of shipboard items. The CM Project is also designed to help regulate life cycle costs, improve vessel operational performance and readiness, and improve integrated logistics support. USCG needs to take action to (1) reduce the cost of future configuration reviews, (2) emphasize the need to fully document CMPlus software in a timely manner, (3) clarify the Government's ownership rights to CMPlus software, and (4) assure key personnel experience is retained on the CM Project, at least until the completion of the developmental stage. USCG officials generally concurred with the finding and recommendations. (Report Number AV-CG-3-012).

The newly developed Financial Statement Module (Module) of Departmental Accounting and Financial Information System (DAFIS) is likely to greatly enhance the Department's preparation of yearend financial statements. However, the integrity of the automated and manual processes associated with financial statement preparation needed to be strengthened. Opportunities existed to (1) strengthen DAFIS yearend closing and adjustment processing, (2) increase data consistency between DAFIS and the Module, and (3) enhance automated edits in the Module. In addition, desk procedures for preparing yearend financial reports were needed. The OIG made 10 recommendations to the Office of the Secretary (OST) to: (i) extend the DAFIS adjustment grace period, (ii) enhance DAFIS so it can correctly process prior year adjustments, (iii) keep the Module and DAFIS in synch during yearend adjustment processing, (iv) "fine tune" an interim tool OST developed during the audit to assist users in applying Module adjustments to DAFIS, (v) develop Departmentwide generic operating procedures for reconciling DAFIS and the Module, (vi) better monitor changes to parameter table files in the Module, and (vii) establish desk procedures for preparing yearend financial reports. Corrective actions taken by OST during the review included the implementation of four automated edit controls the OIG suggested. OST fully concurred with seven report recommendations, agreed with the thrust of the other three, and took or planned acceptable corrective actions on all recommendations. (Report Number AD-OT-3-001)

The Department's Transportation Computer Center (TCC), and designated Operating Administration security officers were not

consistently or adequately administering environmental security software to effectively safeguard information resources. Weak password administration controls and non-use of security software capabilities and features to properly limit access to powerful system utilities increased the risk of unauthorized system access and use. As a result, TCC could not be assured that information resources are protected from fraud, waste, unauthorized use, and mismanagement--which in turn could adversely impact the operations of TCC and the Department. In our view, these deficiencies could be attributed to (1) lack of specific formal policies, standards, and procedures on security software administration and implementation within TCC; (2) lack of departmental security software administration guidance; and (3) insufficient management attention. The OIG recommended OST and TCC officials (i) develop and issue departmental policy addressing environmental security software concerns; (ii) implement stronger controls over password administration; (iii) restrict access to powerful system utilities; (iv) develop, issue, implement, and update formal TCC policies to address management and implementation of environmental security software controls in a timely manner; (v) define specific control responsibilities for implementing environmental security software and incorporate these responsibilities into the formal policies being developed by TCC; and (vi) submit proposed guidance addressing specific control responsibilities to the Office of Information Resource Management for inclusion in the Departmentwide policy as appropriate. OST and TCC officials generally concurred with the reported finding and the 11 associated recommendations, and planned acceptable corrective actions on all recommendations. (Report Number AD-OT-3-002)

As explained in a report on the Airport and Airway Trust Fund portion of FAA's FY 1992 financial statements, because of a scope limitation, the OIG was unable to express an opinion on these financial statements. The OIG's work on the audit was restricted by the unavailability of detail transactions supporting the general ledger in a format that would enable adequate account balance verifications to be performed with a reasonable amount of effort. Accordingly, audit efforts were instead concentrated on FAA's internal control structure for the Airport and Airway Trust Fund and compliance with associated laws and regulations. The internal control portion of this work identified five financial statement material weaknesses and three other reportable conditions. The financial statement material weaknesses related to (i) fund usage transactions, (ii) purchases-in-transit yearend inventory, (iii) prior year fund usage records, (iv) trust fund operating expenses and assets, and (v) wire transfer system usage. The other reportable conditions related to (i) segregation of duties, (ii) availability of automated yearend detail ledger files, and (iii) subsidiary ledger support for general ledger account

balances. Similarly, the OIG's tests of compliance with applicable laws and regulations identified three noncompliance issues. These noncompliance issues related to (i) expired appropriations, (ii) duplicate financial management systems, and (iii) Prompt Payment Act reporting. The OIG made 17 recommendations to FAA to correct the financial statement material weaknesses and other reportable conditions identified and eight recommendations to address the noncompliance issues identified. FAA officials concurred either fully or partially with 22 of the 25 recommendations and nonconcurred with the other 3. The OIG requested FAA officials to reconsider their three nonconcurrences (all related to the finding on segregation of duties) and their partial concurrence on three recommendations calling for reporting accounting system nonconformances to the President and Congress under the Federal Managers' Financial Integrity Act (FMFIA) process. In addition, the OIG requested FAA to provide details on how the agency plans to ensure subsidiary ledger support for general ledger account balances. (Report Number AD-OT-3-004)

FISCAL YEAR 1995 BUDGET TARGET

In order to achieve the FY 1995 budget targets, we plan to consolidate the Office of Marine and Departmentwide Audits with the Office of Aviation and Surface Transportation Audits and the Office of Information Technology and Financial Audits. The Office of Aviation and Surface Transportation Program Audits will be renamed the Office of Transportation Audits and assume responsibility for U.S. Coast Guard and Maritime Administration audits. The Office of Information Technology and Financial Audits will be renamed the Office of Information, Technology, Financial, and Secretarial Audits and assume responsibility for audits involving the Office of the Secretary.

AUDIT EMPHASIS OF WASHINGTON, DC. OFFICES

Federal Aviation Administration

Prior audit coverage was directed toward such areas as assessment and collection of sanctions and monetary penalties, facilities and equipment funding (F&E), small purchases, implementation of corrective actions on National Transportation Safety Board (NTSB) recommendations, and FAA sponsored higher education programs. Recommendations resulted in improvements in controls over assessing and collecting civil penalties resulting from violations of Federal Aviation Regulations, budget execution of F&E projects, and small purchase practices and procedures, and savings from the education programs.

Audit emphasis will focus on FAA procurements and operations. Future procurement-related audits will review the advanced automation program, terminal voice switch and emergency transceiver replacement equipment, acquisition of cable loop systems, awards of negotiated procurements, independent operational testing oversight, instrument landing systems replacement, and visual navigation aids. FAA operations to be reviewed will include FAA oversight of aviation industry drug testing activities, airway facility maintenance, aircraft utilization, flight inspection of navigational aids, training, and employee relocation practices.

Federal Highway Administration

Prior audit coverage has been directed primarily at reviewing FHWA's management and administration of the Federal-aid Highway Program. Reviews have been made of Federal-aid project funds management, the Off-System Bridge Inspection Program, the Value Engineering Program, the Discretionary Bridge Program grant approval process, and motor carrier industry drug testing oversight. Significant impacts identified in prior audits include opportunities to expand the use of value engineering in the Federal-aid and Direct Federal Programs, improvements needed to ensure that off-system bridges comply with the National Bridge Inspection Standards, and improvements in controls over project funds management, final project selection, and funding decisions in the Discretionary Bridge Program.

Future audit emphasis will be focused on FHWA's management and administration of programs financed by the Highway Trust Fund. Emphasis will also be given to reviews of the Motor Carrier Safety Assistance Program and the Intelligent Vehicle Highway System Program, as well as periodic reviews of FHWA's management of the Bridge Inspection Program in accordance with a safety recommendation made by NTSB.

National Highway Traffic Safety Administration

Prior audits in NHTSA concentrated on administrative, financial, and support activities, especially of controls over procurement and contracting, and processing and collecting penalties. These audits have identified the need to improve contract administration of automatic data processing, ensure proper use of data from the National Accident Sampling System, and improve cash management practices.

Audit emphasis will be directed to evaluating contract administration as well as grant management activities related to the Highway Traffic Safety

Grant Program at the state and Federal levels. Future audits will review the New Car Assessment and Defects Investigation Programs along with other highway traffic and vehicle safety-related programs.

Federal Railroad Administration

Prior audit coverage has been directed toward industry drug testing efforts, funds management, and administrative and support areas including controls over financial records. These audits have identified improvements to enhance compliance and effectiveness of industry drug testing, as well as the need for timely release of excess project funds for use in other projects. Future audit coverage will focus on program areas such as the Railroad Accident and Incident Reporting System and the Railroad Bridge Inspection Program.

Federal Transit Administration

Prior audit coverage has focused primarily on the FTA grant oversight processes, especially grantee financial management practices and the discretionary grant process. These audits have identified needed improvements in grant oversight and project funds management. Future audit coverage will focus on identifying areas where FTA can achieve more effective and efficient use of resources. Additionally, future audits will review safety and security activities such as FTA oversight of mass transit bridge safety.

Research and Special Programs Administration

Prior audit coverage concentrated on industry drug testing activities, the University Transportation Centers (UTC) Program, the assessment and collection of civil monetary penalties, the Automated Tariff Program, and air carrier data. These audits identified improvements in management oversight needed to ensure that pipeline operators are in compliance with Federal drug testing requirements, UTC program objectives have been met before additional funding is awarded, and violation cases are processed timely and cash management practices are efficient and effective. Our reviews of air carrier data identified material misstatements in both financial and statistical data submissions. Future audits will concentrate on the accuracy of air carrier data including reviews of T-100 and key Form 41 financial and statistical data items.

U.S. Coast Guard

Prior audits included coverage of USCG Test Equipment Calibration Program, pollution control activities, superfund activities, and the CM Project. Future audits will emphasize major procurements, safety, mission accomplishments and use of Department of Defense inventories and equipment to minimize costs. Audit emphasis will be placed on reserve training pay, motor lifeboat preproduction, aircraft cockpit voice/data recorders, Icebreaker Program, and the Military Readiness Program.

Maritime Administration

Prior audits focused on the activation and deactivation of the Ready Reserve Force (RRF), costs incurred during the activation of the RRF, insurance programs in MARAD, the Maritime Subsidy Board and the Title XI Loan Guarantee Program. These audits indicated that MARAD can save thousands annually by complying with the generally-accepted Government policy to act as a self-insurer for Title XI vessels.

Future audit emphasis will be directed toward program areas and support activities of MARAD's RRF operations. Audit areas planned in MARAD include cargo preference requirements, the RRF Outporting Program, and merchant marine training incentives. Other areas scheduled for review include the Ship Acquisition Program, the Sealift Enhancement Program, and spare parts for the RRF and the National Defense Reserve Fleet.

Special Reviews

Information Technology

Past audits in the information technology area have involved a wide range of automated information systems resources, activities, and functions, but within that range have focused either on (1) information/system confidentiality (i.e., protection of information resources from unauthorized access and/or disclosure); (2) information accuracy/integrity; or (3) system reliability/availability. OMB considers these three areas to be the major components of computer systems integrity and security, as does DOT's current computer security order. Further, during FY 1992, DOT identified and reported information systems security (confidentiality) as one of the Department's ten management areas with the highest risk, and has initiated a two-phased approach to address this area. Because of the importance of these three areas both within the Department and government-wide, continued audit emphasis will be given to them in future work. In addition, audit

emphasis will continue to be given to issues involving information resource acquisition/development activities within DOT because of the Department's vast expenditures for information technology (e.g., \$2.14 billion for FY 1994) to support its missions.

During FY 1993 and the first quarter of FY 1994, work in the confidentiality area included efforts to prepare a series of five reports on operating system and security software controls at a departmental data center. The first report, a management advisory memorandum, was issued to TCC in early May 1993 addressing security software administration weaknesses which had the potential to adversely impact TCC and DOT operations. A discussion draft version of the second report in the series--addressing weaknesses associated with the administration of operating system controls--was issued to TCC in December 1993. The other three reports will address the results of audit work involving (1) administration of system software maintenance, (2) management and utilization of disk storage resources, and (3) DOT's compliance with an Office of Management and Budget directive on system software controls. Other audit work in this area includes a major ongoing audit of the Department's compliance with the Computer Security Act of 1987.

With respect to information accuracy/integrity, an audit of the Federal Transit Administration's Electronic Clearing House Operation System originally focused primarily on assessing internal controls having an impact on system and data accuracy/integrity. However, the audit work has since been refocused on system documentation and computer security--two key areas which need to be evaluated before any work is done in the data accuracy/integrity area. The data accuracy/integrity work may be initiated later, dependent upon the outcome of this first phase of audit work.

In the area of reliability/availability, work continues to address internal control problems which can adversely impact information system reliability and operations. Issues related to this area have most recently been addressed in audits of two FAA acquisition/development efforts, as described below. Similar issues are also being pursued as part of ongoing audits of (1) the DOT-wide Office Automation Technology and Services (OATS) Project and (2) Departmental Management of Application Software Maintenance. Reliability/availability issues will also be addressed in three of the five reports (mentioned previously) on operating system and security software controls at TCC.

Work in the system acquisition/development area continued to focus on internal control activities during the early project phases to avoid the

need for costly system modifications in latter phases. During FY 1993, a final audit report was issued to FAA addressing problems in the agency's evaluation process for technical substitutions and additions to the OATS contract. In addition a final audit report was issued in December 1993 on FAA's Real-time Weather Processor acquisition. That report contained recommendations aimed at making an operational system available more quickly and at less cost.

Financial Audits

The Financial Audit group, established during FY 1992, worked during FY 1993 (and will again in FY 1994) under a \$1 million Congressional limitation on OIG expenditures for financial statement audits. As a result, FY 1993 audit work was limited to the FY 1992 financial statements for the Aviation and Highway Trust Funds and the Maritime Title XI Loan Guarantee Program. Final audit reports on these three areas, each addressing financial statement reliability and assessing associated internal controls and compliance with laws and regulations, were issued in July 1993. Work was also completed and a final report issued discussing the need to correct internal control weaknesses in the design of the Departmental Accounting and Financial Information System (DAFIS) Financial Statements Module. In addition to its financial statement audit work, the Financial Audit group has responsibility for auditing the Departmentwide internal control review program mandated by FMFIA of 1982 and OMB Circular A-123. During the first quarter of FY 1994, the staff completed field work on the OIG's annual followup review on the accuracy of the Operating Administrations' annual FMFIA reports to the Secretary and the adequacy of their reported corrective actions. The results of that work were used in December 1993 to prepare the Inspector General's annual assurance letter to the Secretary on the accuracy of the Department's FMFIA reports. In addition to performing financial audits, the Financial Audit group continued providing oversight to contract audit activities undertaken at the request of departmental procurement offices.

Regional Audit Offices

OIG regional offices conduct audits in assigned geographical areas and lead selected major Departmentwide and Operating Administration-wide audits that are performed using a coordinated approach. A breakdown of regional responsibilities follows.

Audit Region	FAA Region	USCG District	FHWA Region	NHTSA Region	FRA Region	SLSDC	FTA Region	MARAD (*)	RSPA (*)
JRA-II	Eastern New England	1	I	I	I	a/	1 & 2	c/	d/
JRA-III	-	5	III	3	II		3		
JRA-IV	Southern	7	IV	4	III		4		
JRA-V	Great Lakes	9	V	5	IV		5		
JRA-VI	Southwest b/	8	VI	6	V		6		
JRA-VII	Central	2	VII & VIII	7 & 8	VI		7 & 8		
JRA-IX	Western Pacific	11 & 14	IX	9	VII		9		
JRA-X	Alaska Northwest Mountain	13 & 17	X	10	VIII		10		

(*) Audit responsibilities for these Operating Administrations do not match our regional alignments.

a/ Performs all audits of St. Lawrence Seaway Marine Academy

c/ Including U.S. Merchant

b/ Including Aeronautical Center at Oklahoma City Transportation Systems Center

d/ Including

Accomplishments

During FY 1993, regional offices issued 85 internal audit reports with a potential cost impact of \$327.8 million. The offices also issued 1,364 grant/subsidy reports with questioned costs totaling \$55.7 million. In addition, three contract audit reports with questioned costs of \$0.1 million were issued. The following schedule provides a breakdown by regional office.

Regional Audit Office	Internal Reports		Grant/Subsidy Reports		Contract Reports	
	No.	Dollar Impact* (Millions)	No.	Dollar Impact* (Millions)	No.	Dollar Impact* (Millions)
JRA-II	11	\$0.5	32	\$0.3	2	\$0.1
JRA-III	5	\$2.1	2	\$0.0	0	\$0.0
JRA-IV	25	\$228.3	948	\$40.8	0	\$0.0
JRA-V	7	\$41.2	39	\$0.1	0	\$0.0
JRA-VI	10	\$2.4	75	\$2.4	0	\$0.0
JRA-VII	8	\$18.1	93	\$0.6	0	\$0.0
JRA-IX	16	\$30.1	87	\$0.0	1	\$0.0
JRA-X	3	\$5.1	88	\$11.5	0	\$0.0
Totals	85	\$327.8	1364	\$55.7	3	\$0.1

* Includes costs questioned, costs unsupported, and funds put to better use.

Brief descriptions of several audit reports issued during this period follow.

Federal Aviation Administration

Airport sponsors in six FAA regions were not administering their federally assisted Property Acquisition and Relocation Assistance Program economically and in full compliance with Federal regulations. FAA and its airport sponsors had not implemented controls adequate to assure that: review appraisers perform comprehensive evaluations of appraisal reports to resolve conflicting data and ensure that owners displaced by airport improvement projects are paid reasonable but not excessive compensation for their property; relocation specialists perform adequate market research to locate economical replacement housing for displaced owners and tenants; and acquisition negotiators properly document their justification for administrative settlements made to acquire property at prices in excess of fair market value. Using statistical sampling methodology to test \$83.6 million of program costs incurred, we concluded that \$64.4 million of these costs were excessive. With prompt action by the FAA to improve sponsor procedures and controls, we estimate the airports reviewed can avoid future excessive costs totaling \$34.5 million when acquiring the parcels needed to complete their current property acquisition programs. We made recommendations in regional reports to correct specific problems at specific airports. We also recommended that FAA increase its oversight efforts. FAA regional officials generally concurred with the thrust of our recommendations. We plan to issue a report to FAA Headquarters which summarizes the results of our review in the six regions and address internal control and policy recommendations designed to achieve better economy in FAA assisted property acquisition programs. (Report Nos. R4-FA-3-389, R4-FA-3-422, R4-FA-3-479, R4-FA-3-519, R4-FA-3-606, and R4-FA-3-618)

FAA inspector surveillance of Designated Mechanic Examiners (DME) was not adequate. Surveillances did not always identify DMEs testing practices which were inconsistent with FAA standards and not equally thorough, and did not identify DMEs who lacked sufficient tools, equipment, and facilities to properly administer aviation mechanic tests. Some DMEs also abused their appointments by lowering testing standards for oral and practical tests. As a result FAA could not be assured that only qualified applicants were certified as aviation mechanics. We recommended FAA ensure DMEs comply with testing standards, and FAA inspectors are knowledgeable of testing, tools, equipment, and facility

requirements. We also recommended FAA complete investigating 22 DMEs identified as abusing their authority and ensure all applicants tested by DMEs found to have abused their authority, are qualified for the certification received. FAA agreed that surveillance of DMEs was not adequate, DME testing practices were not consistent with FAA standards and were not equally thorough, and DMEs abused their appointments by lowering testing standards. Corrective actions taken or planned, included: (i) reviewing the adequacy of surveillance training programs; (ii) developing surveillance inspection checklists; (iii) designating and training DME inspector focal points; (iv) investigating the 22 DMEs identified in our report as having possibly abused their appointment to determine if the mechanics have been involved in any aircraft-related accidents, incidents or enforcement actions over the past three years, and if they are qualified to hold their ratings.

Federal Highway Administration

The OIG identified about \$14 million (\$12.6 million Federal share) spent or approved on sections of noise walls on five interstate projects which were not justified. This included the construction of noise walls costing about \$6.9 million in one state which were unreasonable in comparison to cost per residence in other states. Also, about \$5.4 million was spent for noise walls that had little or questionable benefit in reducing exterior highway noise to human beings. Finally, about \$1.7 million was spent or planned for noise walls which did not meet noise mitigation eligibility criteria. The OIG recommended the FHWA Regional Administrator ensure one state establishes a policy defining reasonableness and follows written guidelines for determining when the cost of noise mitigation exceed their benefits. The OIG also recommended FHWA: (i) withhold Federal participation for a planned noise wall which does not meet the state cost criteria for reasonableness; (ii) request credits for Federal funds spent on ineligible noise walls; (iii) and not permit Federal funding of future noise mitigation projects when state noise mitigating policies are not followed. FHWA officials stated noise walls were justified. However, they agreed to have the state establish criteria defining cost effectiveness of noise abatement measures and agreed to withhold Federal funding when noise mitigation policies are not followed. They did not agree to request credits for Federal funds spent on ineligible noise walls. The OIG requested they reconsider the OIG's position. (Report Number R3-FH-3007)

A FHWA Division Office's (Division) oversight and administration of right-of-way (ROW) acquisitions were not sufficient to preclude the acquisition of a building not in the project ROW. The Division's oversight and administration of ROW also were not sufficient to ensure

that less costly alternatives to purchase of easement and leasehold rights were pursued and attained by a state Highway Department (State). Recommendations were made to the Federal Highway Administrator to ensure that Federal funding for ROW is limited to acquisition of property necessary to the final ROW. Furthermore, we recommended when the State makes ROW acquisition decisions based on local political and economic reasons, when feasible and less costly alternatives exist, the Division should limit the Federal share to those costs involved in the lower cost alternatives.

United States Coast Guard

The Project Management Plan for the Coast Guard's Polar Class Icebreaker Reliability Improvement Project was not completed on schedule and key project management positions were not filled as quickly as anticipated, resulting in fund carryovers totaling \$4.7 million through Fiscal Year 1994. Although the Office of the Secretary of Transportation and the Coast Guard initiated various actions to strengthen project management during our audit, we found additional Coast Guard actions were necessary to strengthen assurances that operational requirements and long material lead times were effectively managed and optimum use was made of funds obtained for project work. We recommended the Coast Guard (1) ensure project acquisition and financial plans are completed timely, (2) adjust future budgets to reflect current fund carryovers, and (3) validate and document cost estimates included in the Project Management Plan. The Coast Guard agreed with the report's recommendations, and all corrective actions in response to our recommendations have been completed. (Report Number R0-CG-3-091)

Federal Transit Administration

Two mass transit authorities in FTA Region IV acquired and retained rail car fleets far higher than necessary to provide passenger service and allow for a reasonable spare ratio of 20 percent. The Metropolitan Atlanta Transit Authority's (MARTA) 10-year rail car spare ratio has averaged 67.2 percent and excess cars averaged 58. Metro Dade Transit Authority's (MDTA) 10-year rail spare ratio has averaged 82 percent and excess cars averaged 42. These high spare ratios were due to FTA's acceptance of the transit authorities' overestimated passenger ridership. MARTA and MDTA acquired the excess cars at a cost of \$81.7 million and \$31.8 million, respectively. Neither the transit authorities nor FTA have taken action to mitigate this overinvestment in rail cars. We recommended the service life of each rail car be extended to compensate for the under utilization of the fleet. The extended service lives would delay FTA funded overhaul at year 12 and replacement at year 25 and

save FTA about \$86 million at the MARTA and \$27 million at the MDTA. FTA Region IV responded that it could not implement the recommended extended service life until FTA Headquarters provides guidance on how to determine a reasonable number of spare rail cars and spare ratio. Recommendations to FTA Headquarters related to excess rail car fleets will be provided in a summary report upon completion of audits underway at other major rail transit authorities nationwide. (Report Nos. R4-FT-3-597 and R4-FT-3-770)

OFFICE OF THE ASSISTANT INSPECTOR GENERAL FOR
INSPECTIONS AND EVALUATIONS
SUMMARY STATEMENT

Description

Under the authority of the IG Act of 1978, as amended, and under the executive direction of the IG and Deputy IG, the Assistant Inspector General for Inspections and Evaluations (AIGE) supervises and conducts all inspection and evaluation activities related to DOT programs and operations. AIGE provides executive direction and guidance to Headquarters and regional inspections and evaluations offices. The specific responsibilities of the Office of the AIGE encompass meeting strategic objectives by providing independent and objective inspections and analyses of the effectiveness, efficiency, and economy of the programs and operations of DOT. The Office of the AIGE performs inspections and evaluations of departmental programs and operations including general management inspections and evaluations of departmental operating administrations and other organizational elements and activities. This office also conducts reviews in response to noncriminal allegations, congressional inquiries, and departmental concerns, as well as assists in the review and evaluation of existing and proposed legislation and regulations within DOT. The Office of the AIGE was established to provide more immediate and timely feedback to program managers, and, in some instances, may provide suggestions for future audits or referrals for criminal investigations.

Inspections and Evaluations Resources

A breakdown of inspections and evaluations positions by office and function is provided below.

Office	Management & Supervision	Clerical Support	Inspections & Evaluations	Total Positions
JE-1	1	1	0	2
JE-2	1	0	1	2
JRE-1	2	0	9	11
JRE-5	2	0	8	10
Totals	6	1	18	25

Management and Supervision - The Office of the AIGE management includes senior Headquarters and field officials who direct the performance of all inspections and evaluations relating to DOT programs and operations. The Headquarters staff includes professional support personnel who are responsible for oversight of the field operations, technical review of reports, and development of policies and procedures. The management team is also responsible for ensuring compliance with PCIE standards for conducting inspections and evaluations.

Clerical and Administrative Support - The Office of the AIGE staff includes one clerical support position. This staff assistant processes and types reports and correspondence, files documents, and performs other administrative duties in support of the Office of the AIGE mission. Such duties include responsibility for input of data to the Management Information System (MIS) and retrieval and analyses of these data.

Inspections and Evaluations - The Office of the AIGE professional staff conducts independent and objective inspections and evaluations of DOT programs and operations. The staff reviews management, operational, policy, regulatory, and/or legislative implications of transportation-related issues, providing the Secretary, program managers within DOT, and the Congress with timely feedback (e.g., quick turnaround reports).

Inspections and evaluations are designed to support the overall OIG mission to detect fraud, waste, abuse, and mismanagement. Inspections look at whether a program is following established policies, procedures, and guidelines and is managed properly. Evaluations look at the overall effectiveness of a program to determine if the program achieves its goals and if these goals are contributing to the overall goals of the Department.

In addition to inspections and evaluations, the Office of the AIGE staff responds to congressional requests, Hotline complaints, and other referrals. Although these requests occasionally warrant a formal inspection or evaluation, most take the form of smaller studies, requiring selective research and interviews.

BUDGET DATA

	FY 1994 <u>Estimate</u>	FY 1995 <u>Estimate</u>	<u>Difference</u>
Permanent Positions	25	25	0
Full Time Equivalents	24	24	0
Personnel Compensation and Benefits	<u>\$1,519,300</u>	<u>\$1,601,200</u>	<u>\$81,900</u>
TOTAL	<u>\$1,519,300</u>	<u>\$1,601,200</u>	<u>\$81,900</u>

Change in Resources

The increase in personnel compensation is to annualize the FY 1994 locality pay increase and to fund the FY 1995 pay raise, to fund career promotions and to fully fund benefits associated with these personnel compensation increases.

OBJECTIVES AND ACCOMPLISHMENTS

In addition to a workload of inspection and evaluation projects, the Office of the AIGE addresses numerous inquiries from the public and private sectors concerning departmental issues. These inquiries take the form of congressional requests, hotline complaints, and other referrals. Over the last year, these latter inquiries have come to represent nearly one-half of the Office of the AIGE's workload. The following provides a summary of the more significant Office of the AIGE projects.

Departmentwide

Offices of Civil Rights: OIG has received numerous congressional inquiries and hotline complaints into the Equal Employment Opportunity (EEO) process and offices of civil rights in DOT. These offices of civil rights are decentralized within the Operating Administrations, receiving guidance from the Departmental Office of Civil Rights within the Office of the Secretary. To address the issues raised in these inquiries and complaints, the Office of the AIGE will evaluate the DOT offices of civil rights' ability to effectively and efficiently manage the EEO complaint process and special emphasis programs under their control. Specifically,

the Office of the AIGE will examine the organizational structure, available resources, and processes involved in addressing EEO complaints. The Office of the AIGE evaluation will also address the DOT's offices of civil rights' ability to effectively and efficiently implement special emphasis programs. This evaluation will be conducted in coordination with the Director, Departmental Office of Civil Rights.

Federal Aviation Administration

Quick Response to Maintenance and Design Problems: The Office of the AIGE is conducting an inspection of the FAA's ability to identify and respond to suspected aircraft maintenance and design problems. This inspection was initiated in response to growing concerns about the FAA's ability to correct suspected aircraft problems--particularly after the October 1992 El Al Airlines crash in the Netherlands.

The goal of this inspection is to evaluate FAA's ability to identify and respond to suspected aircraft maintenance and design problems. In support of this goal, three objectives were identified:

- (1) Determine how FAA, NTSB, aircraft operators, and aircraft manufacturers identify and report aircraft maintenance and design problems;
- (2) Evaluate FAA's process for researching suspected aircraft maintenance and design problems; and
- (3) Evaluate FAA's process for issuing an airworthiness directive (e.g., rulemaking procedures).

Training Requirements and Evaluation Process: As a follow-on to an OIG special task force on FAA training, the Office of the AIGE is evaluating how FAA: (1) identifies required training; and (2) evaluates whether training met identified needs. FAA expended over \$122 million on FY 1992 training. This study includes reviews at central training facilities and selected regional offices.

Expanded East Coast Plan Around Newark International Airport: At the request of six congressional representatives, the Office of the AIGE is reviewing the FAA's Expanded East Coast Plan (EECP) implementation around Newark International Airport. Various New Jersey constituent groups questioned the aircraft noise increase and FAA's lack of action regarding EECP's adverse environmental impact.

Crew Rest Regulations: In response to an OIG hotline complaint, the Office of the AIGE will review actions taken by the FAA's Aviation Flight Standards and the FAA's General Counsel to define and enforce flight crew assignment and rest scheduling regulations. In addition, the Office of the AIGE will evaluate FAA's responsiveness to previous similar allegations and will determine FAA's compliance with related Freedom of Information Act requests.

Federal Highway Administration

Illinois Road Building Review: Bid-rigging on federally sponsored highway construction projects is a continuing congressional priority; however, traditional OIG enforcement efforts have met with limited success. To address this old problem from a new direction, OIG is combining the expertise of investigations, audits, and inspections and evaluations to jointly assess the Illinois competitive bidding process for Federally funded road construction. This process is administered by the Illinois Department of Transportation (IDOT), with FHWA oversight. A recent FHWA study confirmed an earlier newspaper account that Illinois has the highest number of single-bid contracts in the nation. As a result of its study, FHWA made several recommendations to improve the competitive climate in Illinois. IDOT adopted some of these recommendations in the summer of 1993.

The Office of the AIGE is examining the current bidding practices in Illinois and the status of FHWA/IDOT efforts to promote competition. Along with complementary studies led by the OIG's investigation and audit divisions, the Office of the AIGE efforts will address the overall OIG goals to: (1) reduce the incidence of single bids on Illinois highway construction projects receiving federal funds, and (2) develop a new approach for OIG to combat bid-rigging on federal highway projects. The Office of the AIGE effort involves comparison of Illinois bidding procedures and results with those in Indiana and Michigan.

Research and Special Program Administration

RSPA Airline Data Collection: RSPA requires air carriers (approximately 435) to provide comprehensive financial and statistical data. Uses of RSPA aviation information are both safety-related (e.g., enplanements, aircraft hours, passenger miles) and economic-related (e.g., mail rates, small community essential air service, airport funds). RSPA data users include Federal agencies, state and local governments, aviation industry, and academia. Each year RSPA receives about 20,000 financial data paper reports and approximately 500 automated statistical reports. To disseminate this data, RSPA maintains a public reference room in

Washington, D.C., provides an on-line data base for DOT users, and sells data to private firms for broad distribution.

In early 1992, American Airlines proposed that DOT eliminate all carrier requirements to report financial and statistical data. Arguing that this data has little use in light of deregulation and is available from other sources, American Airlines pointed out that it costs them several hundred thousand dollars a year to meet RSPA's data collection and reporting requirements.

This inspection assesses RSPA's airline data collection and reporting system to determine its purpose, the data's relevancy and accuracy, how the data is used, and whether there are alternate information sources.

Accomplishments

During FY 1993, the Office of the AIGE issued 26 reports, letters, and other responses, containing a total of 13 recommendations for improving departmental operations.

Type of Project	JRE-1	JRE-5	Total
Inspections/Evaluations	1	1	2
Congressional Requests	10	6	16
Hotlines/Other Referrals	3	5	8
Totals	14	12	26

A summary of the more significant reviews follows.

DOT Rulemaking Process

The Office of the AIGE evaluated the DOT rulemaking process in response to Secretary Peña's concerns regarding the timeliness of rulemaking activities. Various problems were identified that cause rulemaking delays. These problem areas, most within DOT control, are:

- o Outdated policies and procedures for review of regulations,
- o Shortage of rulemaking staff throughout DOT,
- o Lack of expertise in drafting regulations,
- o Cumbersome review and concurrence process,
- o Lack of authority and accountability to set and enforce deadlines,
- o Volume of petitions received, and
- o Unrealistic congressional deadlines.

The final report contained numerous recommendations for improving DOT rulemaking efficiency, effectiveness, and timeliness. These recommendations included:

- o Issue a Secretarial policy statement making rulemaking a priority,
- o Establish a task force to revise DOT regulatory review procedures,
- o Provide mandatory training on writing regulations,
- o Delegate to the Operating Administrations authority to approve nonsignificant rules,
- o Establish a mechanism to set and enforce compliance with review deadlines and mediate nonconcurrences,
- o Eliminate requirements to publish denials of petitions in the Federal Register, and
- o Create a relationship with Congress to minimize unrealistic deadlines and show DOT's willingness to comply with deadlines.

FAA 1988 Reorganization--Straightlining: At the request of the Chairman, House Public Works and Transportation Committee's Aviation Subcommittee, the Office of the AIGE evaluated the effectiveness of the FAA's 1988 reorganization known as "straightlining." This reorganization sought to significantly increase the centralization and standardization of management oversight and reporting relationships. Overall, straightlining aimed to minimize the FAA regional variations by making regional operating divisions directly accountable to headquarters.

The Office of the AIGE assessed the FAA's effectiveness in communicating and overseeing policy execution since the 1988 management reorganization. Specifically, the inspection sought to evaluate how: (1) FAA internally communicates and coordinates information within and between straightlined organizations; and (2) consistently FAA applies national aviation policies.

The Office of the AIGE found the 1988 reorganization improved communication and management accountability within straightlined organizations; reduced communication between straightlined organizations and between straightlined and nonstraightlined organizations; and generally improved the consistency by which policy is executed, with the major exception of the aircraft inspection program. Given these findings, the final report contains recommendations that FAA develop and implement: (1) procedures for identifying and coordinating issues that cut across organizational lines, and (2) data collection and analysis methods to ensure a uniform national aircraft inspection program. (Report Number E5-FA-3-002)

Alleged Disparate Treatment of Business Jet Airways: At the request of former Senator and now Vice President Gore, the Office of the AIGE conducted an inquiry into allegations that Business Jet Airways received inconsistent treatment in the administration of law and regulations when it transferred its certificate from the Atlanta Flight Standards District Office (FSDO) to the Tennessee FSDO. The findings were that the Tennessee FSDO conformed with Federal regulations and the FAA policies. (Report Number E5-FA-3-001)

FAA's Oversight of Northwest Airlines Check Airmen Program: At the request of Congressman Gingrich, on behalf of a constituent, the Office of the AIGE conducted an inquiry into allegations that Northwest Airlines' check airmen discriminate against former Republic Airlines pilots, who are now Northwest employees. The constituent, an attorney for Airline Pilots for Unity, Inc., also questioned the appropriateness of the Minneapolis Certificate Management Office's investigation of the discrimination complaints. Based on the review, the Office of the AIGE found the allegations were unjustified or unsubstantiated, and FAA acted within Federal regulations.

FAA Airport Improvements Grants in Westchester County, New York: At the request of Congressman Shays, on behalf of a constituent, the Office of the AIGE conducted a review of six recent FAA grants to improve New York's Westchester County Airport. The constituent contended these grants were unlawful because the airport does not have the legal right to remove trees in the airport's Connecticut runway protection zone. The Office of the AIGE found the grants legal because the County took appropriate action under the law when it displaced a runway threshold and initiated legal action seeking tree removal in Connecticut.

FAA's Fort Lauderdale Flight Standards District Office Operating Procedures: At the request of Senator Lugar, Senator Coats, and Congressman Myers, the Office of the AIGE reviewed FAA's handling of allegations that Charter One Airlines violated FAA regulation by not ensuring flight crews were receiving rest periods, and by not properly reporting aircraft maintenance irregularities. Allegations were also made concerning the improper FAA investigation of the violations. The Office of the AIGE recommended FAA take additional action to ensure the airline is in compliance with existing regulations. (Report Number E1-FA-3-001)

FAA's Computer Resource Nucleus Project: An anonymous OIG Hotline caller alleged FAA's transfer of computer services from Oklahoma City, Oklahoma, to Plano, Texas, was both costly and a waste of funds. The Office of the AIGE found the complainant's allegations to be accurate that FAA's costs increased ten-fold due to the transfer. However, the Office

of the AIGE also found the Plano facility (site of the mainframe computer for the Computer Resource Nucleus Project) possesses a far greater processing capacity and customer usage rate than the earlier system. In addition, although Fiscal Year 1993 costs for FAA are now far higher, these costs included start-up costs and are projected to drop substantially in later years of the 10-year contract, resulting in long-term savings.

Proposed Leavenworth Reliever Airport: In response to an OIG Hotline complaint, the Office of the AIGE reviewed allegations involving an airport sponsor's eligibility to receive an FAA master plan study grant for a proposed reliever airport. The Office of the AIGE found the airport sponsors eligible. Nevertheless, based on a July 27, 1993, OIG audit report of the FAA funding and regulation of reliever airports, OIG will recommend FAA cancel expenditures for work planned at reliever airports until the scheduled FAA evaluation of the Reliever Airport Program is completed.

OFFICE OF THE ASSISTANT INSPECTOR GENERAL FOR
INVESTIGATIONS
SUMMARY STATEMENT

Description

Under the authority of the IG Act of 1978, as amended, and under the executive direction of the IG and the Deputy IG, the Assistant Inspector General for Investigations (AIGI) supervises and conducts all OIG investigative activities related to DOT programs and operations. The AIGI ensures compliance with the PCIE standards for OIG criminal investigations. Also, the AIGI manages the IG Hotline Complaint Center. The AIGI, in addition to investigating allegations of fraud referred from other DOT organizations, also monitors the investigations referred to other DOT investigative elements. The OIG is responsible for the general oversight of criminal investigations within DOT and provides support to audit and inspections and evaluations activities, as needed.

The Office of the AIGI consists of the AIGI's immediate office (JI-1), the Deputy AIGI (JI-2), and six regional offices.

Investigative Resources

A breakdown of investigative positions by office and activity is provided below.

Office	Management & Supervision	Administrative/ Clerical	Investigative Activities	Hotline Complaint Center	Total Pos.
JI-1	1.0	1.0	-	-	2.0
JI-2	2.0	3.0	4.0	2.0	11.0
JRI-2	2.0	1.0	8.0	.0	11.0
JRI-3	2.0	2.0	12.0	.0	16.0
JRI-4	2.0	1.0	9.0	.0	12.0
JRI-5	2.0	1.0	6.0	.0	9.0
JRI-6	2.0	1.0	9.0	.0	12.0
JRI-9	2.0	1.0	8.0	0.0	11.0
Totals	15.0	11.0	56.0	2.0	84.0

Management and Supervision - Investigative management includes senior Headquarters and field investigative officials who direct the performance of all investigations relating to DOT programs and operations. The Headquarters staff includes professional support personnel who have responsibilities for oversight of the field operations and the development

of policy and procedures. This management and supervision includes ensuring compliance with standards for conducting criminal investigations.

Clerical and Administrative Support - Administrative assistants, secretaries, and clerk-typists who process and type reports and correspondence, answer telephones, file documents, and perform other administrative duties in support of the investigative mission, including responsibilities for input of data to the Management Information System (MIS) and retrieval and analyses of this data.

Following are brief explanations of the diverse work performed by the OAIGI.

Reactive Investigations - Their primary focus are on specific individuals or companies that are usually targets at the outset of an investigation based on some alleged or suspected violation of the law. Most of these cases are complex, sensitive, and of a protracted nature which require a substantial amount of investigative resources. Reactive investigations continue to be the area of greatest emphasis and dedication of staff effort.

Proactive Investigations - These are efforts which focus on DOT operations or activities that are vulnerable to fraud and abuse. They may be narrow in scope and test a specific activity on broader-based, systematic reviews with an emphasis on the development and refinement of preventive measures. Quite often, reactive cases are initiated as a result of these investigations.

Preliminary Inquiries - These are limited reviews where a factual basis for a full investigation does not yet exist, but some investigative work is needed before the matter is resolved. Preliminary inquiries usually involve generalized, ambiguous, or incomplete information or preliminary information received from a source of unknown reliability and, therefore, require further work to determine if an investigation is warranted.

DOT Hotline Complaint Center - Activities consist of the receipt, evaluation, investigation, and referral of complaints for additional investigation, audit, inspection and evaluation, or administrative action.

BUDGET DATA

	<u>FY 1994</u> <u>Estimate</u>	<u>FY 1995</u> <u>Estimate</u>	<u>Difference</u>
Permanent Positions	84	84	0
Full Time Equivalents	82	82	0
Personnel Compensation and Benefits	\$5,308,000	\$5,564,900	\$256,900
Administratively Uncontrollable Overtime (AUO)	<u>\$346,000</u>	<u>\$300,000</u>	<u>(\$46,000)</u>
TOTAL	<u>\$5,654,000</u>	<u>\$5,864,900</u>	<u>\$210,900</u>

Change in Resources

The increase for personnel compensation is to provide for resources needed to annualize the FY 1994 locality pay, to fund the FY 1995 pay raise, and to provide for career promotions. The increase in benefit costs is necessary to fully fund the benefits associated with these personnel compensation increases. The benefits rate for the OIG's law enforcement personnel is approximately 29 percent, whereas the average rate for the other OIG offices is 22 percent. The higher percentage rate is attributable to the law enforcement officer's special retirement program and the benefits associated with administratively uncontrollable overtime (AUO).

OBJECTIVES AND ACCOMPLISHMENTS

The OIG investigative organization is divided into Headquarters and field operations. Headquarters staff perform a control and quality assurance role, and develop and coordinate National projects as well as conduct special investigations that are not suitable for field office assignment. In the six regional offices, Special Agents-in-Charge (SACs), assisted by Assistant SACs, are responsible for initiating investigations, referring results of investigations for prosecutions and/or administrative actions, as appropriate, and controlling the activities of special agents in their respective regions. In addition, SACs are responsible for

investigative assistance and advice to Regional Audit Managers and Regional Inspection Managers.

Areas of Investigative Emphasis

The following are significant areas for the FY 1995 workload.

Motor Fuel Excise Tax (MFET) Evasion

As stated in last year's submission, approximately \$1 billion in taxes is lost each year due to MFET evasion. This loss of revenue directly impacts the traveling public and the taxpayer because most of these resources go into the Highway Trust Fund and are used to build and maintain the nation's highway and roads system.

Investigative activity on MFET cases is increasing. In FY 1994, MFET will continue to be a high priority as it was in FY 1993. Nine task forces are underway involving all but four states and the District of Columbia. The main participants in the task forces, the Internal Revenue Service (IRS) Criminal Investigation Division and the Department of Justice, are attempting to keep pace with the investigative resource demands of these activities.

The OIG is currently participating in four of the task forces. OIG full-time participation in other task forces, either being formed or already underway in other parts of the country, has been requested by the IRS, Federal Bureau of Investigation (FBI) and a number of state transportation enforcement agencies during the past year.

Since FY 1992, MFET investigations with DOT/OIG participation have resulted in 63 indictments and 6 convictions. Two convictions have resulted in over eleven years in jail time, five years of probation, and over \$400,000 in fines, restitution, and Federal recovery. The remainder of those indicted are awaiting trial. The massive schemes associated with many of these cases involve organized crime elements engaged in racketeering, extortion, and money laundering resulting in millions of dollars lost to the Highway Trust Fund in unpaid taxes.

Because of the significant impact of this criminal activity on DOT funded highway programs and the cost-effective nature of these investigations (an estimated \$39 returned in additional tax assessments for every investigative dollar spent), the DOT/OIG intends to have a full-time agent in each of the nine MFET task forces. This increased participation should not come at the expense of our other investigative

responsibilities. Our current case inventory of over 540 investigations is already taxing our resources.

In FY 1992 and 1993, FHWA provided a total of \$4.7 million to IRS for increased MFET examination and criminal investigative staff. The OIG, although the criminal investigative arm of the Department of Transportation, receives no funds from the Highway Trust Fund.

Suspected Unapproved Parts

Over the last 5 years, the transportation industry has seen a significant increase in Suspected Unapproved Parts (SUPs). As a result, the OIG has conducted investigations to detect the use and prevalence of Substandard Materials and Unauthorized Parts. This includes fasteners used in the aerospace, aviation, highway, and mass transit industries. Counterfeit fasteners (bolts) have surfaced in almost every DOT Operating Administration and every region across the country.

Judicial results for SUPs investigations have been impressive. Since FY 1989 we have obtained 51 indictments and 37 convictions. Individuals convicted have been sentenced to over 22 years in jail, and probation of more than 88 years. Fines have totaled \$3,839,261, restitutions \$4,151,073, and federal recoveries of \$12,325,000. Considering the short period of time we have been involved in SUPs investigations, these results illustrate the success we have achieved, and the possibilities for the future.

As a consequence of our investigative successes and our training program which has raised the awareness level of the SUPs problem and its impact on aviation safety and the traveling public, the aviation industry has developed comprehensive training for its personnel and has taken other steps to eliminate bogus parts. This is allowing us to allocate investigative resources among other priority areas such as Motor Fuel Excise Tax Evasion, Bid Rigging and Hazardous Materials. The reduced emphasis in the Aviation SUPs area will result in the redirection of a portion of our investigative effort to ferret out the SUPs problem in the maritime, railroad, and highway industries.

Bid Rigging

The DOT/OIG has 21 open investigations involving various aspects of the road building industry. Despite the constraints of extremely limited resources and other investigative priorities, we recognize the inherent and recurring nature of bid rigging in highway construction and

continue to detect and prevent this form of criminal activity wherever possible. Bid rigging will continue to be a high priority within the OIG.

Law enforcement organizations estimate that the cost of bid rigging is approximately 10 percent of all road contract costs. Over the years, nothing new has been learned to dispute that figure. The Federal Aid Program for FY 1994 has been increased to approximately \$17.8 billion dollars. If the 10 percent figure is applied, the potential loss to the Federal government alone for this fiscal year would be about \$1.5 billion dollars. BAMS is a computer software collusion detection system used by only 29 states in some manner to monitor bid data. Only three states have allocated the resources necessary to use BAMS to detect collusion in road contracts. One state, Virginia, has stated that the BAMS system saved them approximately \$10 million in contract costs after they publicly announced the existence of their BAMS Collusion Detection Unit. Unlike other investigative areas, bid rigging has historically been investigated only by the DOT/OIG due to our expertise in this area. It is a very labor intensive investigative effort, requiring numerous hours of up-front analysis of documents.

In an effort to maximize our limited investigative resources, the DOT/OIG is committed to developing new, innovative approaches to combat bid rigging. We feel that providing training to other organizations which are affected by this crime is one of the most effective means of utilizing the expertise gained from years of conducting bid rigging investigations. In FY 1993, the OIG conducted a 3-day bid rigging investigation course provided for personnel from Virginia DOT and the Virginia Attorney General's office. Also present were state engineers, procurement specialists, and representatives from Connecticut, North Carolina, Alabama, Georgia, Oklahoma, Pennsylvania, Florida, and Texas.

In addition to training, the OIG's strategy to combat bid rigging will consist of examining FHWA's role in contract oversight of the states who are letting Federal-aid contracts, the use of selected reactive and proactive investigations as a result of referrals from the state letting authorities using OIG taught techniques, and the use of innovative undercover and electronic investigative techniques to identify direct evidence of collusion.

Hazardous Materials Transportation

DOT has responsibilities in several areas regarding hazardous substances and hazardous wastes transported in commerce. Although the Research and Special Programs Administration has primary oversight responsibility over the containers used by the shipper, the transportation of hazardous materials involves several other DOT Operating Administrations (e.g., FAA - by air; FHWA, Office of Motor Carriers - by the highways; USCG - by vessel; and FRA - by rail cars).

DOT/OIG has had an increasing role in environmental investigations during the past several years. Three regional offices presently have active investigations in their inventory of cases, of which one has resulted in indictment. Most involve the illegal transportation of materials where a false certification is made on the shipping manifest misrepresenting the materials being shipped. Criminal violations in cases such as these include 18 USC 1341 mail fraud, 1343 wire fraud, 371 conspiracy and 1001 false statements.

Over the past few years, environmental concerns have increased due to the serious health problems posed to the public. The transportation of hazardous materials by the trucking industry continues to increase, and the DOT/OIG recognizes the necessity of an aggressive investigative program to ensure that regulations and laws are obeyed in order to protect the general public. The DOT/OIG and other law enforcement organizations will pursue such investigations wherever and whenever they develop.

Disadvantaged Business Enterprise Fraud

Another area in which the OIG intends to continue to increase its investigative activity is fraud in the Disadvantaged Business Enterprise (DBE) program. This type of fraud has traditionally surfaced in the form of "front" companies whereby minority participation on DOT-funded contracts has been misrepresented. Historically, this fraud has not been criminally prosecuted. Instead, civil/administrative sanctions have been placed on the perpetrators, without any serious impact on eliminating or lessening this activity. The OIG needs to vigorously investigate these allegations and encourage Federal or state criminal prosecution in order to achieve the critical deterrent effect needed in the DBE fraud area.

Affirmative Civil Enforcement

As part of our ongoing and future investigative efforts, the OIG will pursue Affirmative Civil Enforcement, whenever possible. In many

instances, civil remedies offer an appropriate alternative or addition to criminal sanctions. Because of the treble damages aspect of the Civil False Claims Act, larger dollar penalties can be imposed than from most criminal violations. Civil settlements and restitution can also produce significant monetary returns for the Government, as shown in the examples below, such as recoveries of \$7 million dollars from Battenfeld Oil and \$9 million from Florida Steel.

Because of the high dollar volume in programs where DOT has oversight, we have been asked by two judicial districts to join their task force operations and virtually every district is in the process of pursuing this affirmative civil enforcement program. In situations where there is insufficient evidence of criminality, dollar recovery has become an effective way of returning money to the Government and penalizing the offender. We will become a part of as many of these Civil Enforcement Programs as possible. Clearly, the potential exists to collect huge dollar amounts for the Government.

OTHER ISSUES

High Impact Investigations

The DOT/OIG is involved in numerous high dollar, high visibility investigations involving the transportation industry which impact the traveling public and/or the taxpayer. The following are examples of those investigations.

In the Northeast.....

- Battenfeld Grease and Oil Corporation of North Tonawanda, New York is a major supplier of lubricants to the Defense General Supply Center (DGSC). It was alleged that Battenfeld supplied substandard quality engine and gear oils/lubricants to DGSC. The USCG purchased oils and lubricants from the Supply Center.

Battenfeld was charged with theft of government property, submitting false claims, and making false statements. They agreed to pay \$500,000 on the criminal charges and entered into a settlement agreement to pay \$7 million in restitution on the civil charges.

- The Suffern Interchange is a \$100 million project to link interstate highway 287 with the New York State Thruway at Suffern, New York. Hudson Foundations, Inc. was the subcontractor performing

pile driving work for the construction of a bridge at the interchange. It was alleged that the president of Hudson Foundations bribed a pile-driving inspector to permit Hudson Foundations to drive piles that did not meet specifications required by the New York DOT. The safety hazard to the traveling public caused by these acts would have been significant. If this investigation had not been conducted by the DOT/OIG, serious consequences could have resulted. As a result of our investigation, the piles in question were removed and reinstalled according to the correct specifications and other piles on the project were inspected. Additionally, the president and superintendent of Hudson Foundations each pled guilty to one count of a false statement. A pile driving inspector also pled guilty to one count of a false statement. All three are awaiting sentencing.

- The Central Artery/Third Harbor Tunnel Project is a rerouting of I-93 under the city of Boston and construction of a new tunnel under the harbor to the airport. The estimated cost of this project is \$5.5 billion dollars, making it the largest highway transportation project in U.S. history with 90% of the cost funded by FHWA. We are currently conducting a joint investigation with the FBI regarding allegations of corruption involving relocation and right of way activities associated with this project.

In the South.....

- A \$9 million settlement was reached in connection with an investigation of the Tampa-based Florida Steel Corporation's shipment of unapproved epoxy-coated steel to Federally funded Florida bridge construction projects. The epoxy coating was required to meet Federal and state specifications. Proceeds of the settlement were divided between US DOT and Florida DOT to be applied towards the repair of the affected bridges.
- An investigation of American Telephone and Telegraph (AT&T) has disclosed that during negotiations, the company made false statements to obtain waiver of cost and pricing data on an FAA contract to provide sophisticated switching devices. These switches are an integral part of the basic air traffic control communications system. AT&T also withheld the cost and pricing data value of the hardware and historical incurred costs and profits on labor/maintenance. The potential fraud on this contract is \$60 million.

In the West

- The General Accounting Office, Office of Special Investigations, alleged various improprieties with the Los Angeles County Transportation Commission (LACTC) including excessive spending by LACTC, construction fraud and public corruption. Through the year 2000, this is a \$2.3 billion, three-phase project. We are investigating these serious allegations jointly with the FBI.

In the Midwest

- Korte-Plocher was the prime contractor on the St. Louis Metrolink project (Metrolink is a congressionally mandated transit project to build a light rail system from East St. Louis to the St. Louis airport). The estimated federal share is \$350 million. A DOT/OIG investigation disclosed that employees of Korte-Plocher were instructed to shorten the lengths of the anchor bolts used to attach the bridge support beams to the rail structure on the approach to the bridge crossing the Mississippi River. This has compromised the safety of the entire bridge structure and subjected the general public to undue safety hazards. In June 1993, the company Korte-Plocher, and two of its officers pled guilty to conspiracy to file false quality control reports concerning substandard work on the bridge. The company was fined \$132,000 and ordered to pay restitution in the amount of \$40,000.

In the Southwest.....

- As part of the requirements of the FTA, the Dallas Area Rapid Transit (DART) Handiride Program must provide handicap transportation to the area it serves. Taxi drivers have overbilled DART approximately \$1 million dollars. In this era of budget cuts, this type of criminal activity is very detrimental to the handicapped community. Our investigation has helped to ensure that this service continues in the Dallas area. To date, seven taxi drivers involved in the Handiride Program have been indicted of one count each of securing the execution of a document by deception, under the Texas Penal Code. The investigation is continuing.

Proactive Efforts -- Past, Present, and Future

In the early 1980s, the DOT/OIG's primary proactive target was bid rigging in Federally funded highway projects, a largely untried area of criminal investigation. Proactive bid rigging initiatives were generally worked on a statewide basis with reactive cases being opened as

individual targets were identified. Occasionally, other limited reviews such as Fraud Prevention and Detection Surveys were conducted.

There are 71 pending proactive investigations in our inventory as of September 30, 1993. This category covers a wide range of investigative subject areas including MFET evasion task forces; various forms of SUPs, both aviation and non-aviation; statewide and regional bid rigging efforts; broad DBE reviews; and investigative surveys of several types of grant and contract activity.

Areas such as SUPs, MFET evasion, and bid rigging were chosen for proactive review based on the regional and sometimes national scope of those activities. Businesses often deal in SUPs with other companies throughout the nation. Individuals and companies will frequently own or operate fuel distributorships in more than one state, and the interstate character of the road building industry, where bid rigging is most prevalent, is well known.

Proactive initiatives can be particularly effective at detecting and preventing fraud, waste and abuse. They may be efforts focused on specific targets or larger reviews of programs or operations. Subjects for proactive scrutiny may be selected because they are high dollar operations receiving little or no oversight, new activities, or those with surges in activity, sensitive or topical subjects, and inherently sensitive programs or operations, which by their very nature, are subject to abuse. Many of these proactive efforts may lead to criminal investigations, media coverage and an increased awareness of the OIG's mission. These efforts, in turn, may result in more referrals and requests for investigation, identifying other DOT funded activities or programs where improprieties exist. Such proactive initiatives are labor intensive and cannot be accomplished without additional resources.

With the requested funding of investigative resources in FY 1995, we expect to participate, to the fullest extent possible, in all existing MFET evasion task forces around the nation. The cost-effective nature of these task forces makes this type of proactive investigation very worthwhile. Also, because of increased funding for highways and mass transportation, we foresee numerous proactive opportunities in the substantially increased grant, contracting and purchasing activities involving several DOT Operating Administrations. The handling and transportation of hazardous materials will certainly receive additional attention as well.

Accomplishments

The following table shows investigative results achieved in the last four Fiscal Years.

Table of Investigative Results

	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>
Cases Pending	355	394	512	454
Cases Closed	197	235	246	274
Indictments	160	112	110	149
Convictions	139	117	90	95
Admin. Actions	159	116	155	155
Criminal Fines	\$4,071,716	\$687,389	\$264,626	\$2,509,373
Court Restitutions/ Civil Judgments	\$20,532,899	\$8,691,868	\$2,046,245	\$23,090,379
Admin. Recoveries/ Cost Avoidances	\$61,398,330	\$2,888,277	\$651,444	\$5,719,555

Hotline Complaint Center

The following table shows the disposition of Hotline complaints for Fiscal Years 1992 and 1993.

	<u>FY 1992</u>	<u>FY 1993</u>
No Action Required	99	124
Referred for Audit	40	14
Referred to Inspections and Evaluations *	0	17
Referred for Investigation	112	111
Referred to Program Management	215	320
Referred to Other Agencies	5	13
Total	<u>471</u>	<u>599</u>

* This OIG' office was established in FY 1992.

OFFICE OF THE ASSISTANT INSPECTOR GENERAL
FOR POLICY, PLANNING, AND RESOURCES
SUMMARY STATEMENT

Description

Under the authority of the IG Act of 1978, as amended, and under the executive direction of the IG and Deputy IG, the Assistant Inspector General for Policy, Planning, and Resources (AIGP) supervises and conducts all policy, planning, and resource activities within the OIG. The AIGP is currently responsible for the executive direction of the Offices of (1) Policy and Procedures (JP-10); (2) Planning and Resources (JP-20), (3) Human Resources (JP-30), and (4) Technical Support (JP-40). The specific responsibilities encompass providing policy direction for conducting, supervising, and coordinating audits, inspections and evaluations, and investigations; reviewing proposed legislation and regulations; recommending policies to ensure Inspector General compliance with standards established by the Comptroller General for audits of Federal establishments, organizations, programs, activities, and functions; preparing semiannual reports summarizing the activities of the OIG for the 6-month periods ending March 31 and September 30; and performing quality assurance reviews of audit, inspections and evaluations, and investigation offices. In addition, the organization provides strategic long-range planning and audit tracking systems for the OIG; provides data base management of the OIG's MIS; provides operation and maintenance of the Mid-Range Computer System, Local Area Networks (LAN), Wide Area Networks (WAN), and microcomputer hardware and software; provides budget and financial management support for the OIG; handles all general administrative functions; provides full personnel, diversity, and training support to the OIG; and provides policy direction and technical support to all OIG offices.

Currently, the Office of the AIGP consists of the AIGP's immediate office, and four Headquarters offices. Consistent with federal downsizing initiatives, and our continuing efforts to maximize our staff resources conducting audits, inspections and evaluations, and investigations, we plan to reduce the size of this organization from 36 positions in FY 94 to 32 positions in FY 95.

Resources

A breakdown of positions by office and function is provided below.

Office	Management and Supervision	Clerical and Admini- strative Support	Technical Staff	Total Positions
JP-1	1	1	-	2
JP-10	1	-	7	8
JP-20	1	1	6	8
JP-30	1	-	6	7
JP-40	1	-	6	7
Totals	5	2	25	32

Management and Supervision - The Office of the AIGP management includes senior officials who conduct the technical and administrative support functions for the OIG.

Clerical and Administrative Support - The staff assistant and secretary type correspondence, answer telephones, file documents, and perform other administrative duties in support of the mission of the Office of the AIGP.

Technical Support - The technical staff includes those personnel responsible for conducting the work assigned to this office. These functions include: quality assurance reviews, coordination of legislative and rulemaking documents, semiannual report preparation, strategic planning, financial management, administrative support services, human resources, and information technology management.

BUDGET DATA

	FY 1994 <u>Estimate</u>	FY 1995 <u>Estimate</u>	<u>Difference</u>
Permanent Positions	36	32	-4
Full Time Equivalents	33	31	-2
Personnel Compensation and Benefits	<u>\$2,286,700</u>	<u>\$2,192,600</u>	<u>(\$94,100)</u>
Total	<u>\$2,286,700</u>	<u>\$2,192,600</u>	<u>(\$94,100)</u>

Change in Resources

The decrease of four position represents the Office of the AIGP allocation of the OIG's position reduction directed in the February 10, 1993 Executive Order, "Reduction of 100,000 Federal Positions". The cost associated with this position decrease has been offset by resources needed to annualize the FY 1994 locality pay raise, to fund the FY 1995 increase, and to fund career promotions and the associated benefit increases.

OBJECTIVES AND ACCOMPLISHMENTS

Office of the Assistant Inspector General for Policy, Planning, and Resources

The AIGP manages, supervises, and directs all policy, planning and resource activities. The AIGP has the responsibility for oversight of Headquarters operations of four offices and the staff consists of the AIGP and an administrative assistant position.

Office of Policy and Procedures

Currently, the Office of Policy and Procedures is responsible for providing and maintaining audit, inspections and evaluations, investigative, and administrative policy and procedures; preparing the semiannual reports; conducting independent quality assurance reviews; maintaining the audit followup system for the Department; reviewing and commenting on proposed regulations, legislation and orders; and coordinating PCIE activities.

Objectives

Policy and Procedures

The Office of Policy and Procedures is responsible for formulating, developing, and maintaining updated audit, inspections and evaluations, and investigative policy as well as policies involving administrative matters. Specifically, this office develops standards and procedures for the OIG that are consistent with the standards for audit of governmental organizations, programs, activities, and functions prescribed by the Comptroller General. Additionally, this office ensures that quality standards and procedures are current and consistent with the professional standards for inspections and evaluations and investigations issued by the PCIE. These standards, policies, and procedures are established in the OIG "Operating

Procedures Manual" (OPM) which is maintained, published, and distributed by this office.

Quality Assurance Reviews

The Office of Policy and Procedures is also responsible for formulating standards, policies, and procedures and maintaining a quality assurance program to ensure consistent quality OIG audits, inspections and evaluations, and investigations. Overall, quality assurance in the OIG encompasses the professional standards, current practices, and guidance in the OPM, supervisory reviews, and external reviews of Headquarters and regional offices. It is OIG policy that every audit, inspection and evaluation, and investigation will be a quality product that produces clear, convincing, balanced, and professional results in a timely manner. The goal is to conduct a quality assurance review of each OIG office once every 2 years. Further, General Accounting Office's (GAO) revised "Government Auditing Standards" requires an external peer review of the OIG operations every 3 years. The objective of the external peer review is to determine that the OIG has established an effective quality assurance program. Establishing an effective quality assurance program within our office should limit the scope and thus, the amount of work required to be performed by the peer review. One goal for this segment of JP-10 is to strengthen this function. This will be achieved by consolidating the independent effort dedicated to the quality assurance review function currently made within each OIG operating office.

Rulemaking, DOT Orders, Legislation, and Studies

The Office of Policy and Procedures reviews, coordinates with Audits, Inspections and Evaluations, and Investigations, and prepares OIG responses regarding proposed and final rulemaking documents, DOT Orders, legislation, and DOT studies. Our review of proposed legislation and regulations is normally concerned with those aspects of the proposal which pertain to OIG responsibilities and activities (e.g., prevention and detection of fraud, waste and abuse; the conduct of audits and investigations; access to pertinent records; etc.). The proposals are also reviewed to determine if internal controls are sufficient and appropriate measures are included to promote economy, efficiency, and effectiveness and prevent fraud, waste and abuse.

Semiannual Reports

The Office of Policy and Procedures prepares the Semiannual Reports to Congress in accordance with the IG Act, as amended. This involves

coordinating with other OIG offices, summarizing OIG major audit and inspections and evaluations accomplishments, highlighting selected significant findings and recommendations, and providing a follow-up summary of unresolved recommendations over 6 months old. Also involved is the statistical overview of operations, results of reactive investigations, proactive projects and the disposition of hotline complaints, plus summaries of OIG responses to legislative reviews.

Accomplishments

During FY 1993, the Office of Policy and Procedures reviewed and updated 44 chapters of the Operating Procedures Manual; issued three final quality assurance reports; reviewed 409 documents regarding proposed and final rulemaking, DOT Orders, legislation, and DOT studies, and responded with written comments on 69 of them; prepared and issued the Semiannual Reports to Congress for the periods ended March 31 and September 30, 1993; submitted 5 articles for PCIE publication Frontline, and provided input to and commented on numerous PCIE questionnaires, studies and other documents.

Office of Planning and Resources

The Office of Planning and Resources is responsible for providing the OIG with a long-range strategic plan, preparing and executing the OIG budget, providing financial services, performing special studies, and providing administrative services support to the OIG.

Budget and Financial

All OIG budget matters are the responsibility of the Office of Planning and Resources. As the focal point for budget requirements, this office prepares the OIG budget submissions to OST, OMB, and Congress with all appropriate supporting materials; prepares and coordinates materials for all budget hearings; implements budget and financial policy; prepares apportionments/reapportionments, allotments and requests for Treasury Warrants, as appropriate; ensures quarterly obligational authority is not exceeded; certifies fund availability; maintains commitment/obligation/expenditure records; and represents the OIG on all budget and financial matters.

Administrative Services

The Office of Planning and Resources provides administrative services to the OIG. These responsibilities include arranging and/or acquiring all required services, furniture, and equipment for all OIG staff in 19

locations, nationwide; maintaining the OIG's equipment inventory; issuing permanent change of station orders and reviewing voucher payments; implementing travel policy; developing OIG administrative policies and conducting studies; performing space management activities; arranging for office moves and telephones; issuing OIG credentials, telephone credit cards, travel credit cards, and security clearances; and handling Privacy Act matters.

Accomplishments

During FY 1993, the Office of Planning and Resources processed 425 procurement requests, including those for imprest funds and blanket purchase authority, and 2,013 invoices were certified for payment by OST Accounting and FAA Accounting.

Early in FY 1993, the Office of Planning and Resources provided year-end close-out reports and analyses for FY 1992, and presented the final FY 1993 budget amounts for execution. The Office of Planning and Resources also attended the OMB FY 1994 Budget Hearing, completed OMB passback requirements, and prepared the FY 1994 Budget for presentation to Congress. In March 1993, the Office of Planning and Resources attended two House Appropriations Hearings for FY 1994 and responded to questions for the record. In addition, the Office of Planning and Resources completed the transfer of the accounting function from OST to FAA's Mike Monroney Aeronautical Center located in Oklahoma City, OK.

At the request of the Deputy Inspector General (DIG), the Office of Planning and Resources conducted a study identifying possible economies within the operation of the OIG. The review covered three basic areas (i) personnel compensation and benefits; (ii) travel; and (iii) administrative operations, with each area consisting of several sub-areas. Economies were identified in the area of AUO, temporary duty, pagers, periodicals/subscriptions and Cooperative Administrative Services Units with projected savings of over \$340,000. Action is being taken to implement the recommendations within the OIG.

Also, the OIG conducted a study in response to Congressman Conyers' request for a review of records transactions involving departing departmental personnel. This review disclosed that the Department did not have a system to adequately ensure the integrity of departmental records. However, in conjunction with the OIG's efforts, the General Counsel and Assistant Secretary for Administration established a process to maintain the integrity of departmental records. The system established relies on the Freedom of Information Act (FOIA) for

determining whether departing personnel may retain copies of documents. In addition, the Department modified its checkout procedures to better inform all employees of the regulations governing the copying and retention of records. The Department also developed a Document Removal form which requires departing employees to list all copied materials they intend to keep upon their separation from the agency. Furthermore, this form provides the limitations for the use of such materials and requires the signatures of the departing employee and the responsible FOIA official. The departmental Manual is being revised to incorporate this modified employee checkout system which will ensure its continued use.

Office of Human Resources

The Office of Human Resources is responsible for providing and maintaining an independent personnel function including independent appointment and operating authorities, recruitment, position classification, position management, employee relations, employee development and training.

Objectives

Staffing, Recruitment, Classification, Performance Management, and Training

The Office of Human Resources is responsible for developing, implementing, and evaluating all policies, procedures, and instructions for each of the functional areas. In addition, this office provides a wide range of recruitment and staffing activities, including on-campus and job fair recruitment, special emphasis recruitment, Office of Personnel Management certification, and Merit Promotion Plan advertisements. Classification responsibility includes establishing new positions, accurately describing all current positions, ensuring pay is in direct alignment with duties performed, determining career ladders, and providing position management advice. Responsibility for the Performance Management Program includes assisting supervisors and managers in writing performance standards, instructing them and their employees in performance management processes and procedures, and monitoring progress reviews and end of the year reviews. The training program includes on-the-job training, formal classroom training, continuing education, and professional certification review courses. In addition, a training matrix provides guidance on appropriate training at each grade level for all OIG staff.

Employee Processing, Pay and Benefits

The Office of Human Resources ensures all OIG employees receive accurate and timely pay checks; processes benefit elections and/or changes; and processes all other changes in an employee's status, such as tenure, salary, awards, and retirement.

Accomplishments

During FY 1993, the Office of Human Resources processed 2,030 personnel actions, prepared 47 vacancy announcements, and responded to 107 personnel- and training-related control items. Also, new performance standards were developed for criminal investigators, grades GS-5 through GS-12. Not only do these new performance standards more clearly identify performance expectations but also are better tools for evaluating and improving individual and organizational accomplishments.

In the area of training, the OIG used over 450 courses to maintain proficiency at all levels of the organization. A Certified Public Accountant's (CPA) review course was made available to all staff preparing to take the CPA exam. It is offered on a nationwide basis and auditors, accountants, and financial managers within, as well as outside of DOT, are able to attend on a space available basis. Disability awareness training was also provided to OIG managers and supervisors. This training included discussions covering (i) interviewing techniques and etiquette; (ii) how to talk about disclosure and reasonable accommodation; (iii) definition of "qualified" disability; and (iv) how to use an interpreter. The purpose of the training was to increase the knowledge of managers and supervisors and provide practical information consistent with the Americans with Disabilities Act requirements.

In the area of operational improvements, the OIG redesigned the training matrix for all employees. This matrix was developed to assist OIG offices and personnel in identifying courses to meet their training requirements, and to provide general information to persons interested in the OIG's training programs. Although the matrix is for all employees, it focuses on training opportunities for auditors, inspectors, investigators, and secretarial employees. The matrix contains training courses conducted or arranged by the OIG; some general information about the identification of quantitative training requirements and the development of annual training program objectives; graphical listings of required and non-required courses; and a guide for matrix users. In addition, a new training sub-system was developed using the MIS which

provides managers with a "manage to budget" approach to training activities for their staffs. Managers in organizational components of the OIG receive a budget allocation for their employees to meet training needs. The information and data are entered into the MIS and consolidated in an annual training plan that guides OIG training efforts for the fiscal year.

The Office of Human Resources (OHR) began using new software that provides access to up to date information regarding Federal personnel laws, rules, regulations, and case decisions. The technology will permit accurate and timely computer assisted searches of information critical to the discharge of the human resources program.

The OHR developed a new Merit Promotion Plan. The new Plan more clearly sets forth the policies, procedures, and requirements to ensure that all qualified candidates receive appropriate and fair consideration for promotion and placement in the competitive service.

Office of Technical Support

The Office of Technical Support is responsible for providing policy direction and implementation of the technical support functional areas, including: operating and maintaining the OIG's Mid-Range Computer System and associated communications networks; installing, configuring, and maintaining the OIG's LAN Systems; operating and maintaining the Data Base Systems included within the OIG's MIS; initiating procurements, and installing and maintaining all OIG information technology resources; and developing and updating the OIG's Information Resources Management (IRM), and Computer Security plans, and serving as the OIG's Computer Security Office.

Objectives

Enterprise Systems

The Enterprise Systems functional area provides computing support to the entire OIG. Specific duties include maintenance and operation of the hardware and systems software which are the foundation of the OIG's computing environment. The hardware component includes the Mid-Range processor and related peripheral equipment. The systems software component includes the basic operating system, communications, security, and utilities software which support the basic applications software components used by all OIG staff, and provide communications links to departmental mainframe computers used for Audit, Inspection and Evaluation, and Investigative assignments.

LAN/WAN Systems

The LAN/WAN Systems functional area is responsible for the installation, configuration, maintenance and support of the OIG's LANs/WANs, including hardware, software, and communications links. This includes the LANs/WANs in Headquarters and the Regional Offices, and the interconnecting communications networks. The LAN/WAN management staff provides operational monitoring and trouble shooting of the LAN/WAN environment including the operational status and performance of all hardware, software, and communications components. In addition, the LAN/WAN Manager, as a Communications Specialist, provides technical assistance support to audit, inspection and evaluation, and investigative staff on assignments involving data and telecommunications issues.

Data Base Systems

The Data Base Systems functional area is responsible for maintenance and support of the OIG's MIS. The MIS provides operational and management information on OIG operations in the Audit, Inspection and Evaluation, Investigative, and Administrative areas. This function includes the design and implementation of major MIS enhancements and the addition of new functions within the MIS. Ad-hoc reporting, Executive Information Systems' requests, and the production of statistics for the semiannual reports to Congress are also performed within this functional area.

Microcomputer Users Support

The Microcomputer Users Support functional area is responsible for assisting in the use of the OIG's Audit, Inspections and Evaluations, and Investigation Computer Integration System (AICIS) microcomputer hardware and software. This staff functions as the central help desk for all problems associated with the use and maintenance of the desktop and portable microcomputers and software in the OIG. The staff also initiates and updates written policies, procedures, and documentation for support of the microcomputers, software, and other information technologies in the OIG. The information resources training function is another major responsibility, which includes instruction in the use of the MIS, microcomputer hardware and software, LANs and network management, and the Mid-Range Computer System's Professional Office System software.

IRM and Computer Security Planning

The IRM and Computer Security planning functional area is the responsibility of the Office Director who prepares the OIG's annual short- and long-range ADP, Communications, and Computer Security plans required by various Federal laws, and OMB and departmental regulations. These plans are submitted to the OIG's IRM Executive Steering Committee which finalizes the plans and transmits them for inclusion in the Department's plans. In addition, the Office Director is responsible for initiating all information resources procurement requests and for implementing Computer Security requirements that are consistent with these plans.

Accomplishments

During Fiscal Year 1993, the Office of Technical Support made major strides forward in the automation of the OIG. The most significant accomplishments are described below.

The OIG completed the first Regional LAN installations in the Chicago and Atlanta offices. The implementation of LANs in the Regional Offices interconnects 250 desktop workstations in both Headquarters and these Regions by providing print and file sharing capabilities. In addition, the network has been expanded into a WAN configuration using FTS-2000 and provides those workstations access to the OIG's Mid-Range Computer System.

The OIG purchased and installed additional desktop workstations and portable microcomputers lowering the OIG's staff to microcomputers ratio from 1.6 to 1 to 1.2 to 1.

In addition, the OIG replaced and upgraded older microcomputer workstations to 386-based processors and added additional memory. These items were needed to fully utilize the new software releases of the OIG standard software which were also installed on the equipment. These hardware upgrades in conjunction with the software upgrades will provide the OIG with an integrated workstation platform to assist in increasing OIG staff productivity. In addition, in-house technical staff conducted a series of seminars for ADP coordinators to develop their potential as first line trouble shooters for new software applications. Shorter seminars were also provided to enhance users' skills and familiarity with the new applications.

A major sub-system was written and installed in the OIG's MIS to provide for the management and tracking of A-128 audits. This sub-system provides for monitoring and tracking of the Single Audit efforts for both Grantees and Public Accountants. This sub-system allows the OIG to comply with the reporting requirements associated with OMB Circular A-128. Also, a major enhancement to the OIG's MIS was the addition of an Inspections and Evaluations sub-system to provide for the management and tracking of Inspection and Evaluation projects. This sub-system integrates with the other MIS components to provide management and reporting of projects, travel, training, employee time distribution, and reports issued. The sub-system allows the OIG to comply with the reporting requirements for the Semiannual Report to Congress.

In the IRM and Computer Security areas, the OIG completed the certification and accreditation of its three sensitive systems. These actions complete the requirements under the Computer Security Act of 1987 for the OIG sensitive system. In addition, as part of this effort, the OIG rewrote the user documentation for the OIG's Management Information System.

Office of INSPECTOR GENERAL

REPORT ON DEPARTMENTWIDE
AUDIT OF CONTRACTED ADVISORY
AND ASSISTANCE SERVICES

OFFICE OF THE SECRETARY

REPORT NO. AV-OT-4-007

DATE ISSUED: January 14, 1994



U.S. Department of Transportation
Office of the Secretary of Transportation

**Report on the Audit of
Contracted Advisory and Assistance Services
Report No. AV-OT-4-007**

RESULTS IN BRIEF

Conclusion(s)

Operating Administrations complied with Office of Management and Budget and Department of Transportation (DOT) guidance in determining and controlling the appropriate use of Contracted Advisory and Assistance Services (CAAS). For the contract actions reviewed, coding of CAAS for Fiscal Year 1992 was generally accomplished by DOT Operating Administrations in accordance with DOT procedures. We identified two instances of miscodings which when projected over the entire population of contract actions reviewed indicates only a 3 percent best estimate error rate. However, CAAS reporting to the Federal Procurement Data System (FPDS) does not reflect the true CAAS activity because the Contract Information System (CIS) is not programmed to code contract modifications as CAAS when the basic contract is coded non-CAAS. As a result, CAAS actions reported to the FPDS are understated.

Monetary Impact

There is no monetary impact as a result of implementing our recommendation. Corrective action will improve the reporting accuracy of CAAS transactions to the FPDS.

Recommendation(s)

We recommend the Office of the Secretary (OST) revise CIS reporting to allow contract modifications to be coded CAAS or non-CAAS depending on the nature of the service.

Management Position

In the January 6, 1994 response to the draft report, OST generally concurred with the recommendation. However, OST deferred action until reporting requirements for CAAS actions are finalized, since OMB Circular No. A-120 was rescinded on November 19, 1993.



U.S. Department of
Transportation

Office of the Secretary
of Transportation

Office of Inspector General

Memorandum

Subject **ACTION:** Report on Departmentwide Audit
of Contracted Advisory and Assistance Services Date January 14, 1994
Project No. AV-OT-4-007
From *Raymond J. DeCarli*
Raymond J. DeCarli Reply to
Assistant Inspector General for Auditing Attn of JA-20:366-4165
To Assistant Secretary for Administration

I. INTRODUCTION

This is our report on the Departmentwide audit of Contracted Advisory and Assistance Services (CAAS). The objectives of the audit were to evaluate the effectiveness of the Department of Transportation's (DOT) management controls for acquiring CAAS and the accuracy and completeness of the information on CAAS provided to the Federal Procurement Data System (FPDS).

Background

Office of Management and Budget (OMB) Circular No. A-120 establishes policy, assigns responsibilities, and sets guidelines to be followed by executive branch agencies in determining and controlling the use of advisory and assistance services obtained by contract from individuals and organizations. The agencies are to ensure such services are appropriate and necessary, and are reported to the FPDS. The circular was revised on January 4, 1988, to expand its coverage from consulting services to advisory and assistance services. Advisory and assistance services are defined in the current revision as those which support or improve agencies' policy development, decision making, management and administration, or support or improve the operation of management systems. The services may take the form of information, advice, opinions, alternatives, conclusions, recommendations, training and direct assistance. The provisions of the revised circular were included in DOT Order 4200.15A on September 6, 1989.

Title 31, United States Code, Section 1114, requires the Inspectors General (IG) to make annual evaluations of the progress that agencies are making to institute effective

management controls and improve the accuracy and completeness of the information provided to the FPDS for advisory and assistance services obtained by contract. The results of the IG's reviews are to be included in the agencies annual budget submissions.

Scope

The audit included CAAS activity in the Office of the Secretary (OST), Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), Federal Railroad Administration (FRA), Federal Transit Administration (FTA), Maritime Administration (MARAD), National Highway Traffic Safety Administration (NHTSA), Research and Special Programs Administration (RSPA), and U. S. Coast Guard (USCG). The audit covered 3,649 contracts, modifications, and task orders (contractual actions), valued at \$903 million, which were issued by DOT during Fiscal Year (FY) 1992 with product and service codes which may include CAAS activities. Product and service codes (PSC), established by the Office of Federal Procurement Policy, OMB, define the types of services or products to be obtained under each contract. The following table represents the breakdown by Operating Administration (OA) of the total contract actions for DOT and contract actions falling within selected PSC's for FY 1992 taken from DOT's Contract Information System (CIS).

<u>OA</u>	<u>Total</u>		<u>Activity Within Selected</u>	
	<u>Activity</u>	<u>Value</u>	<u>PSC's</u>	<u>Value</u>
FAA	3,995	\$1,830	1,038	\$586
FTA	63	17	56	15
FHWA	775	286	407	100
FRA	85	7	75	4
MARAD	2,027	581	132	13
NHTSA	401	29	325	25
OST	205	30	102	15
RSPA	850	157	619	92
SLSDC	23	2	9	1
USCG	4,851	456	886	52
TOTAL	13,275	\$3,395	3,649	\$903

Note: Dollar amounts are in millions.

In consultation with the Office of Inspector General (OIG) statistician, it was determined that a stratified random sample for proportions was the most appropriate sampling design for the audit. The sample was based on a confidence level of 90 percent, with a precision of 10 percent. This would permit projecting the results to the entire universe of selected PSC's. From a population of 3,649 contract actions within the selected PSC's, 3,609 contract actions were coded as non-CAAS actions. We selected 66 non-CAAS contract actions for review. The remaining 40 contract actions were coded as CAAS. We reviewed 38 of these contract actions. Two CAAS actions were for the deobligation of funds and were not included in the review. The statistical methodology plan is described in exhibit A.

The review was conducted to determine whether management controls and procedures were in accordance with OMB Circular No. A-120. We reviewed the guidelines followed by the Operating Administrations to identify and report CAAS actions, as well as OST's monitoring of CAAS activities. We also reviewed the contractual actions to determine whether management controls were (i) adequate to assure those services meeting the definition of the circular were properly coded and (ii) reported in the DOT CIS and the FPDS. In addition, we selectively reconciled the OAs' input to the CIS to determine the completeness of reporting. The audit was performed in accordance with "Government Auditing Standards" prescribed by the Comptroller General and included a review of such policies, procedures, records, reports, and other documents as considered necessary in the circumstances.

The following schedule identifies the number of CAAS and non-CAAS contract actions reviewed by OA.

Schedule of OIG Audit Coverage

<u>OA</u>	<u>Non-CAAS Reviewed</u>	<u>Non-CAAS Value</u>	<u>CAAS Reviewed</u>	<u>CAAS Value</u>
FAA	22	\$15,658,729	*11	(\$1,744,825)
FTA	1	34,763	21	4,031,516
FHWA	5	739,152		
FRA	1	137,868	3	441,365
MARAD	2	49,300		
NHTSA	7	1,002,999		
OST	2	146,515	1	72,206
RSPA	16	2,458,053	1	29,700
USCG	10	1,050,529	3	35,626
SLSDC				
TOTAL	66	\$21,277,908	*40	\$2,865,588

Note: *Two contracts, valued at (\$3,374,000), were eliminated from our review, because they were deobligations of funds.

Prior Audit Coverage

We issued 10 reports on audits of CAAS, which covered contractual activities during FY 1991. Nine of the reports contained no recommendations. We found no problems during our audits of FHWA, FRA, MARAD, NHTSA, RSPA, USCG, and SLSDC. At OST and FTA, we found only minor problems in the classification and reporting of contractual activities on which the OA's initiated corrective action. Therefore, no recommendations were necessary. A recommendation was made to FAA regarding the correct coding and reporting of contractual actions as CAAS. OIG Audit Report No. AV-FA-2-030, dated July 23, 1992, identified one contractual activity which was miscoded as CAAS and three that were miscoded as non-CAAS in the CIS. FAA agreed to correct the activity incorrectly coded as CAAS. However, FAA officials disagreed with the determination that the three non-CAAS coded items should be CAAS. In a memorandum dated October 8, 1992, OIG closed out the recommendations agreeing to leave the transactions as originally coded. The

results of the audits were summarized in OIG Report No. AV-OT-2-034, dated August 25, 1992, addressed to the Assistant Secretary for Administration. Since appropriate recommendations were addressed to the OAs and no issues of Departmentwide policy were raised, we did not make any recommendations in the summary report.

II. FINDING AND RECOMMENDATION

OAs complied with OMB and DOT guidance in determining and controlling the appropriate use of CAAS. For the contract actions reviewed, coding of CAAS for FY 1992 was generally accomplished by DOT Operating Administrations in accordance with established DOT procedures. We identified two instances of miscodings which when projected over the entire population of contract actions reviewed indicates only a 3 percent best estimate error rate. However, CAAS reporting to the FPDS does not reflect the true CAAS activity because the CIS is not programmed to code contract modifications as CAAS when the basic contract is coded non-CAAS. As a result, CAAS actions reported to the FPDS are understated.

Discussion

CAAS and Non-CAAS Coded Contract Actions. All OA's rely on OMB Circular No. A-120, "Guidelines for the Use of Advisory and Assistance Services," DOT Order 1340.5D, "Contract Information System," and DOT Order 4200.15A, "Guidelines for the Use of Advisory and Assistance Services," for written guidance on the use and coding of CAAS, as well as documentation of its determinations of whether or not contract actions were for such services. The Office of Acquisition and Grant Management periodically monitors the acquisition of CAAS by the OAs. Once a quarter, the Office of Acquisition and Grant Management prepares a report by OA showing all CAAS contract actions for the FY. OA's are requested to verify all CAAS transactions. Only occasional discrepancies have been identified through this verification process.

Our review of FY 1992 contract actions established that these controls were working. Applying random sampling to a population of 3,609 non-CAAS coded contractual actions and reviewing the population of 38 CAAS coded contract obligations identified only two miscodings. Projecting these results to the entire population established a best estimate of 109 miscodings (3 percent of the

population). We consider the results to represent an acceptable level of miscoding.

**Schedule of OIG Audit Results
Non-CAAS Coded Contract Actions**

<u>OA</u>	<u>Total</u>	<u>Coding</u>
	<u>Number of</u> <u>Actions</u> <u>Reviewed</u>	<u>Errors</u>
FAA	22	1
FTA	1	1
FHWA	5	
FRA	1	
MARAD	2	
NHTSA	7	
OST	2	
RSPA	16	
USCG	10	
TOTAL	66	2

Our review indicated that two contract actions included in our sample, coded as non-CAAS by the FAA and the FTA, should have been coded as CAAS. FAA Contract DTFA01-92-Y-01013, was for support services to FAA for the development of a survey data system. FTA Contract DTUM60-92-C-41009, was for a management control review in the area of program budget execution. These services meet the requirements of OMB Circular No. A-120, paragraph 5.A.(3), "Management and Professional Support Services." This section of the Circular specifies "Management and professional support services take the form of advice, training, or direct assistance for organizations to ensure more efficient or effective operations of managerial, administrative, or related systems." FAA and FTA officials agreed that the two contract actions should have been coded CAAS and will take corrective action.

Coding of CAAS Contract Modifications. The CIS makes no provision for separately coding and reporting CAAS for contract modifications. Contract modifications retain the CAAS character of the basic contract regardless of the services provided. Therefore, the true advisory and assistance nature of contract modifications is not always accurately reported to the FPDS. Officials at the Volpe National Transportation Systems Center in

Cambridge, Massachusetts provided us with 19 modifications independent of the sample selection, valued at over \$1.5 million, which they would have coded as CAAS had the CIS provided the option of such coding. Instead, these modifications were all reported to the FPDS as non-CAAS.

No specific guidance on reporting of CAAS to the FPDS is contained in OMB Circular No. A-120. The Circular refers to the FPDS Reporting Manual for guidance. The FPDS Reporting Manual, October 1988, requires Federal agencies to report a wide-range of contract information, including CAAS, for each contract action. The FPDS Reporting Manual defines contract action as "any contractual action to obtain supplies, services or construction from sources outside the Federal Government which obligates or deobligates funds including the award of the contract; an order against an existing indefinite-delivery contract, basic ordering agreement or Federal schedule contract; or a modification of a contract or order such as for additional work, funding action, change order, termination or cancellation. The establishment of tariff schedules for communications and shipping is not considered a contract action."

The Office of Acquisition and Grant Management maintains DOT's CIS, which serves as the basis for the Department's input to the FPDS. DOT Order 1340.5D provides instructions for completing the CIS Data Input Form. The input form is completed when entering all contract actions into the CIS. It contains 52 items which identify such characteristics as whether the contract is CAAS. However, depending on the nature of the contract action not all items are to be filled out when completing the input form. In regard to CAAS, Yes or No is indicated on the CIS Data Input Form whenever "Kind of Action" is A through G. These type of actions are initial letter and new definitive contracts, and orders under basic ordering agreements and Federal Supply Schedule. Contract modifications, however, are coded in the CIS as action types H and R (increase or decrease dollar obligation, respectively), and therefore, CAAS modifications are not identified as such in the CIS.

Responsible officials from the Office of Acquisition and Grant Management indicated the FPDS does require full reporting of all contract actions. However, for contract modifications, the contracting office is not required to record CAAS information. The CIS Data Input Form for modifications requires completing only items 1-17. Information from items 18-52 is obtained from

the CIS master file which is determined when the initial contract is entered. CAAS is reported in item 23. According to Office of Acquisition and Grant Management officials this process was initiated to reduce the number of input errors. In addition, they said it was their understanding that OMB was not concerned with separate CAAS reporting on contract modifications. Also, it was stated any reporting change would require OMB action. Further, these officials said the CAAS designation on the basic contract can be changed at anytime by the OA, if the preponderance of funding through contract modification changes the overall character of the service.

In our opinion, DOT's present reporting of CAAS on modifications is contrary to the FPDS Reporting Manual. The Office of Acquisition and Grant Management was not able to provide documentation indicating OMB approval was needed to change reporting of CAAS on modifications from that reported on the original contract.

Recommendation

We recommend OST revise DOT Order 1340.5D, "Contract Information System," to include CAAS coding for modifications to existing contracts.

Management Position

In the January 6, 1994 response to the draft report, OST officials generally concurred with the recommendation. However, OST was informed by OMB that Circular No. A-120 was rescinded on November 19, 1993. Further, OST said discussions with the Office of Federal Procurement Policy indicate the reporting requirement for CAAS actions will be removed from the FPDS Reporting Manual. Consequently, OST will defer final action on the recommendation until FPDS reporting requirements are finalized. A complete copy of OST's response is in the appendix of this report.

Auditors Comments

The actions planned by OST are responsive to the recommendation and no further action is required.

III. OTHER MATTERSAccuracy of Audit Universe

To establish the integrity of the CIS, which was relied on for our audit universe, we compared records of contract actions maintained by the OAs to the CIS. Due to time and OAs' system restraints, we were unable to review 100 percent of the FY 1992 CIS activity. FTA and FRA did not have automated systems and the OST review was limited due to a mid-year upgrade of its in-house system. The reviews in these cases were very limited in scope. For RSPA and NHTSA, we compared data for the entire OAs. Reviews in the remaining OAs were restricted to Headquarters. Our review covered approximately 26 percent of the Department's contract actions in FY 1992. Specifics on the scope of our review follow:

OIG Review of CIS and Operating Administrations
Contract Action Data

	<u>CIS</u>		<u>OA</u>	
<u>OA</u>	<u>No. of</u> <u>Actions</u>	<u>Amount</u>	<u>No. of</u> <u>Actions</u>	<u>Amount</u>
FAA	1055	\$1,419	1415	\$1,410
FTA	63	17	N/A	N/A
FHWA	360	85	499	87
FRA	85	7	N/A	N/A
MARAD	169	33	139	31
NHTSA	401	29	414	29
OST	137	25	103	9
RSPA	850	157	962	156
USCG	343	73	253	59
TOTAL	3,463	\$1,845	3,785	\$1,781

Note: Dollar amounts are in millions.

We found 324 contract actions, valued at \$59 million, were included in the OAs' records that did not appear in the CIS. This represents approximately 9 percent of the FY 1992 contract actions and 3.2 percent of the contract dollar value we included in our reconciliation. Conversely, we found 403 contract actions,

valued at \$94 million, that were included in the CIS that did not appear in the OAs' records.

The results of our reconciliation is depicted in the following chart:

**Results of Our Reconciliation
of CIS and Operating Administrations
Contract Action Data**

<u>OA</u>	<u>Contract Actions In Operating Administrations Records Not In CIS</u>		<u>Contract Actions In CIS Not In Operating Administrations Records</u>	
	<u>No. of Actions</u>	<u>Amount</u>	<u>No. of Actions</u>	<u>Amount</u>
FAA	65	\$8	20	\$16
FTA	5	2	N/A	N/A
FHWA	33	6	25	4
FRA	0	0	N/A	N/A
MARAD	38	10	65	12
NHTSA	19	1	6	0
OST	15	2	73	18
RSPA	18	0	4	1
USCG	131	30	210	43
TOTAL	324	\$59	403	\$94

Note: Dollar amounts are in millions.

Problems with the accuracy of the CIS have been previously identified. In June 1990, the OIG issued "Report on Audit of DOT's Contract Information System," Report No. AD-OT-0-005. The report concluded the existing CIS had numerous internal control weaknesses. Much of its information was inaccurate and unreliable due to ineffective data preparation, entry, and processing controls. The weaknesses were reported to the Secretary as a material internal control weakness in accordance with DOT Order 5100.4B.

The Assistant Secretary for Administration took a number of initiatives to improve the reliability of the CIS. This includes the Office of Acquisition and Grant Management initiatives to have the

OAs review and reconcile their CIS data. Prior to year end, Office of Acquisition and Grant Management prepares a memorandum to each OA requesting that they begin to reconcile the CIS data in anticipation of year end. Each OA received the most current listing of contract actions contained in the CIS. Once year end has passed, a second memorandum and CIS printout are distributed requesting the data be reconciled and corrected by December 15th. The ultimate responsibility for the accuracy of the CIS falls on each individual OA.

We have provided the Office of Acquisition and Grant Management with a listing of the CIS errors we identified during our audit. We requested OST reconcile the differences between the CIS and OA's contract records for contract actions not in CIS, and determine the causes for the discrepancies.

IV. ACTION REQUIRED

In accordance with the DOT Order 8000.1C, no further response is required.

We appreciate the cooperation and assistance extended by your staff during the audit. A listing of the audit team members is included in exhibit B to this report.

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STATISTICAL METHODOLOGY PLAN

Background on Selection

Statistical projections of the number of Contracted Advisory and Assistance Services (CAAS) contract actions miscodings were required in support of the objectives of this audit. The population consisted of 3,649 contracts, modifications and task orders (contract actions) within selected product service codes awarded by Department of Transportation (DOT) in Fiscal Year 1992 taken from DOT's Contract Information System.

The Sampling Plan

A stratified random sample for proportions was identified as the most appropriate sampling design for this audit. The universe was divided into CAAS and non-CAAS contract actions. First, a census of the 40 CAAS transactions was taken. Then a random selection was made from the remaining 3,609 non-CAAS transactions. The error rate was assumed to be 50.0 percent for the purpose of calculating a conservative sample size. Based on a universe size of 3,609 non-CAAS contract actions, a desired confidence level of 90 percent and a precision of plus (+) or minus (-) 10.0 percent, a sample size of 66 transactions was calculated. Random selection was accomplished by the use of the DYL software.

The source for the methodology used in analyzing this sample is:

Sampling Techniques, Third Edition
by William G. Cochran
1977 John Wiley & Sons, Inc.

AUDIT TEAM MEMBERS

The following is a listing of the audit team members who participated in the audit.

Jerome Persh	Program Director
Gary Muller	Project Manager
James Gielner	Auditor-in-Charge
Sharon Ayers	Auditor
Carolyn Poag	Auditor



U.S. Department of
Transportation

Office of the Secretary
of Transportation

Memorandum

Subject **INFORMATION:** Reply to OIG Draft
Report on Audit of DOT's Contracted
Advisory and Assistance Services

Date January 6, 1994

From *for* Jon H. Seymour *Paul W.*
Assistant Secretary for Administration

Reply to
Attn of

To Assistant Inspector General for Auditing

This responds to your request for comments on the draft audit report dated December 17, 1993, on Contracted Advisory and Assistance Services (CAAS). The report indicates that the present reporting of CAAS on modifications in the Contract Information System is contrary to the Federal Procurement Data System (FPDS) Reporting Manual. The report recommends OST revise DOT Order 1340.5D, "Contract Information System," to include CAAS coding for modifications to existing contracts.

We conceptually agree with this recommendation. The Office of Management and Budget (OMB) Circular Number A-120, "Guidelines for the Use of Advisory and Assistance Services," stated that CAAS actions shall be reported to the FPDS in accordance with the instructions in the FPDS Reporting Manual. The OMB Transmittal Memorandum Number 1 rescinded the Circular on November 19, 1993. We understand from discussions with the Office of Federal Procurement Policy that the reporting requirement for CAAS actions will be removed from the FPDS Reporting Manual. Final action will be taken after the FPDS reporting requirements are modified.

- # -

LIST OF ACRONYMS AND ABBREVIATIONS

ADP	Automated Data Processing
AICIS	Audit and Investigation Computer Information System
AIGA	Assistant Inspector General for Audit
AIGE	Assistant Inspector General for Inspections and Evaluations
AIGI	Assistant Inspector General for Investigations
AIGP	Assistant Inspector General for Policy, Planning and Resources
AT&T	American Telephone and Telegraph
AUO	Administratively Uncontrollable Overtime
AWS	Airway Science
CFO	Chief Financial Officer
CM	Configuration Management
CPA	Certified Public Accountant
CTI-ATC	Collegiate Training Initiative for Air Traffic Controllers
DAFIS	Departmental Accounting and Financial Information System
DART	Dallas Area Rapid Transit
DBE	Disadvantaged Business Enterprise
DCAA	Defense Contract Audit Agency
DIG	Deputy Inspector General
DME	Designated Mechanic Examiners
DOT	Department of Transportation
EAS	Essential Air Service
EECP	Expanded East Coast Plan
EEIS	Electronic Equipment Information System
EEO	Equal Employment Opportunity
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation

F&E	Facilities and Equipment
FHWA	Federal Highway Administration
FMFIA	Federal Managers' Financial Integrity Act
FOIA	Freedom of Information Act
FRA	Federal Railroad Administration
FSDO	Flight Standards District Office
FTA	Federal Transit Administration
FY	Fiscal Year
GAO	General Accounting Office
GSA	General Services Administration
HHS	Department of Health and Human Services
IDOT	Illinois Department of Transportation
IG	Inspector General
IRM	Information Resources Management
IRS	Internal Revenue Service
LACTC	Los Angeles County Transportation Commission
LAN	Local Area Network
MARAD	Maritime Administration
MARTA	Metropolitan Atlanta Transit Authority
MDTA	Metro Dade Transit Authority
MFET	Motor Fuel Excise Tax
MIS	Management Information System
MODULE	Financial Statements Module
NHTSA	National Highway Transportation Safety Administration
NTSB	National Transportation Safety Board
OATS	Office Automation Technology and Services
OHR	Office of Human Resources
OIG	Office of Inspector General

OMB	Office of Management and Budget
OPM	Operating Procedures Manual
OST	Office of the Secretary of Transportation
PCIE	President's Counsel on Integrity and Efficiency
ROW	Right-of-Way
RRF	Ready Reserve Force
RSPA	Research and Special Programs Administration
SAC	Special Agent-in-Charge
SUPs	Suspected Unapproved Parts
TCC	Transportation Computer Center
USCG	United States Coast Guard
UTC	University Transportation Centers
WAN	Wide Area Network
WCF	Working Capital Fund

TUESDAY, MARCH 1, 1994.

U.S. ARCHITECTURAL AND TRANSPORTATION BARRIERS COMPLIANCE BOARD

WITNESSES

**JUDITH E. HEUMANN, CHAIRPERSON, ACCESS BOARD AND ASSISTANT
SECRETARY FOR SPECIAL EDUCATION AND REHABILITATIVE SERV-
ICES, U.S. DEPARTMENT OF EDUCATION**

**S. CRAIG KISER, VICE CHAIRMAN, ACCESS BOARD, PUBLIC MEMBER,
TALLAHASSEE, FLORIDA**

**R. JACK POWELL, CHAIR, PLANNING AND BUDGET COMMITTEE, AC-
CESS BOARD, PUBLIC MEMBER, SANFORD, FLORIDA**

LAWRENCE W. ROFFEE, EXECUTIVE DIRECTOR, ACCESS BOARD

JAMES J. RAGGIO, GENERAL COUNSEL, ACCESS BOARD

**JUDITH H. HASLAM, DIRECTOR, OFFICE OF COMPLIANCE AND EN-
FORCEMENT, ACCESS BOARD**

**DAVID M. CAPOZZI, DIRECTOR, OFFICE OF TECHNICAL AND INFORMA-
TION SERVICES, ACCESS BOARD**

OPENING REMARKS

Mr. PRICE. The Committee will continue now with officials of the United States Architectural and Transportation Barriers Compliance Board, better known as the Access Board.

Our principal witness today will be Judith E. Heumann, Chairperson of the Access Board and Assistant Secretary for Special Education and Rehabilitative Services at the Department of Education. She is accompanied by S. Craig Kiser, the Vice Chairman of the Access Board, by R. Jack Powell, the Chairman of the Access Board's Planning and Budget Committee and a public member of the board from Sanford, Florida.

The budget request of the Access Board totals \$3,244,000 in 1995, representing a decrease of \$104,000 below the amount provided in 1994. During our questions, of course, we will want to explore the effect of this very tight budget on Access Board operations.

Ms. Heumann, we will put your biographical sketch in the record at this point and we will be happy to insert the full text of your statement and we invite you to abbreviate it in your oral presentation.

Ms. Heumann.

Ms. HEUMANN. For brevity, what I would like to say, we appreciate the opportunity to be here with you this morning. We know that you come from the great State of North Carolina, which has been one of the leaders in access for many years; access for children and adults, which is very novel. About 90 percent of your fixed route system, bus system, is already accessible.

Mr. PRICE. I didn't know we were doing quite that well, but we have certainly worked hard as we replace buses and get new buses

on line to make sure they are accessible and have retrofitted a number of our existing vehicles.

Ms. HEUMANN. We were happy to hear you were chairing the meeting, given your record in this area.

We would like to insert our statement for the record and also the budget justification. Given the nature of time, we would be glad to take questions at this point.

Mr. PRICE. All right.

[The statement and biographical sketch of Judith Heumann follow:]

Statement of

Judith E. Heumann

Chairperson

U.S. Architectural and Transportation Barriers Compliance Board

Before the

House Committee on Appropriations

Subcommittee on Transportation

March 1, 1994

Good morning. My name is Judith E. Heumann, and I am the Assistant Secretary for the Office of Special Education and Rehabilitative Services at the Department of Education. I am also honored to serve as Chairman of the U. S. Architectural and Transportation Barriers Compliance Board, or Access Board. I am pleased to come before you today to discuss the Access Board's 1995 appropriations request.

I would like to focus my oral testimony on the Access Board's programs for fiscal year 1995. Mr. Chairman, I would like our budget justification which we have provided this committee inserted in the record.

In accordance with President Clinton's budget priorities we are requesting a total of \$3.244 million for fiscal year 1995. This level of funding would allow the Board to continue its programs at the current level implementing the Americans with Disabilities Act (ADA).

Since the enactment of the ADA, the Board has invested a great deal of time in the development of the Americans with Disabilities Act Accessibility Guidelines or ADAAG. During fiscal year 1995, the development of ADAAG will continue to be a priority. We will concentrate on guidelines for recreation facilities, children's environments, Federal facilities, and water transportation. We will also be undertaking a major review of ADAAG with the goal of developing a uniform set of accessibility standards for the country.

Access to recreation is an essential part of American life. In fiscal year 1995, we plan to publish a notice of proposed rulemaking which will establish accessibility guidelines for a variety of recreation facilities; including amusement parks, playgrounds and related equipment, pools, parks, trails, and other outdoor developed areas. This proposed rule will be based on extensive input which the Board has received from an advisory committee composed of representatives from disability organizations; the recreation industry; and Federal, State and local governments.

Accessibility guidelines for children's environments is another issue which the Board will consider in fiscal year 1995. These proposed guidelines will cover elementary schools and other facilities designed primarily for children. As the Assistant Secretary for Special Education and Rehabilitative Services, I believe that these guidelines will help us foster the policy of integrating children with disabilities into regular education classrooms.

The Board believes that the Federal government should be held to the same high accessibility requirements that now apply to public accommodations and State and local governments under the ADA. ADAAG is more complete and, in many instances, mandates a higher degree of accessibility than the current Uniform Federal Accessibility Standards, which have been the applicable standards for the Architectural Barriers Act since 1984.

Under Section 502 of the Rehabilitation Act of 1973, the Board is responsible for establishing accessibility guidelines for the Architectural Barriers Act. The Board plans to adopt ADAAG with special provisions as appropriate for Federal buildings (for example, post offices, and military facilities). The Board anticipates that it will publish a notice of proposed rulemaking on ADAAG for Federal facilities in fiscal year 1995.

During fiscal year 1995, the Board will also begin work on accessibility guidelines for various forms of water transportation, including passenger ships, ferries, and docks. This will be a joint effort with the Department of Transportation. A Water Transportation Advisory Committee will be convened to provide the Board with a set of recommendations for these guidelines. The Committee will be composed of representatives of the industry, organizations representing people with disabilities, and Federal agencies such as the U.S. Coast Guard. We anticipate the Water Transportation Advisory Committee will meet during fiscal year 1995 and present a report to the Board in 1996.

The Board has recently established an ADAAG Review Advisory Committee. The purpose of this committee will be to review ADAAG with a goal of developing a uniform set of accessibility standards that can be used by the American National Standards Institute (ANSI) and other model codes. The committee will compare

ADAAG with the accessibility standards issued by ANSI and other model code organizations. The committee will also recommend how the Board can coordinate future ADAAG rulemaking with ANSI model code organizations.

Developing a uniform set of accessibility standards that is consistent with the ADA and that can be used by ANSI and other model codes will result in accessibility requirements being implemented through the established building regulatory processes at the State and local level.

Another key activity of the Board is providing technical assistance and training on ADAAG. Since enactment of the ADA, the Board has responded to over 58,000 phone calls, mailed out over 39,000 packets of information, and has provided 206 training sessions. In fiscal year 1995, we anticipate that the demand for technical assistance and training will increase. For example, in the near future the Board plans to publish four new sections for ADAAG containing additional scoping provisions and technical specifications for facilities of State and local governments. These will cover judicial, legislative and regulatory facilities; detention and correction facilities; residential housing; and public rights-of-way. We anticipate a very high demand for technical assistance and training on these new guidelines. From our experience, we expect to respond to approximately 22,000 telephone calls, send out approximately 15,000 information packets, and provide

about 90 training sessions in fiscal year 1995. We will also develop additional technical bulletins and training materials, and are preparing a technical assistance manual covering public rights-of-way.

As the Board continues to develop ADAAG, we have become keenly aware of the need for additional research on accessibility issues. The Board has improved its procedures for selecting research projects. The Board now recommends research projects for each fiscal year based on several considerations, including public comment in response to rulemaking, the need for technical information for future rulemaking, and our technical assistance program needs. The Board publishes a notice in the Federal Register seeking public comments on its research priorities before deciding to fund any projects.

The Board is planning to budget \$184,000 for research in fiscal year 1995. Funding at this level will allow the Board to contract for the three regulatory analyses necessary for our ADAAG rulemaking. It will also allow the Board to fund one other research project.

The Board will soon publish a Federal Register notice seeking comments on its research priorities for fiscal years 1995 and 1996. At this time, four research projects are under consideration. One project calls for the development of an

ADAAG manual which would provide guidance and interpretative information on the Board's guidelines. This manual would be updated periodically to provide comprehensive and current information about ADAAG and revisions to the guidelines. There is also a strong need to identify and evaluate methods for the emergency evacuation of persons with mobility impairments from multi-story facilities. This project would examine assistive devices and products for the development of technical assistance literature. A component of the project would study and make recommendations on emergency signage and communication for persons with visual impairments and persons with hearing impairments. Another research activity under consideration is a project which would analyze methods and products for providing access to swimming pools in order to develop recommendations on requirements for such access. A final research project under consideration would gather information on the classification and categorization of various water vessels. It would identify and evaluate design and other constraints including Coast Guard requirements, to accessible water transportation, and gather and evaluate information on accessible features for boats, ferries, and docks. This research will provide information to our Water Transportation Advisory Committee.

The enforcement of the Architectural Barriers Act has been one of the Board's primary responsibilities for 21 years. The number of complaints the Board has received under the Architectural Barriers Act has been declining. We expect

the number of complaints to level out in fiscal years 1994 and 1995 to somewhere between 90 and 100. The Architectural Barriers Act has been in effect for 26 years, and the Board has had the enforcement responsibilities for 21 years. Perhaps, the message of accessibility is being heard, and those entities constructing building and facilities with Federal funds are making them accessible. We also have found that entities seem much more willing to take corrective action to remove barriers to accessibility. The Board plans to keep the same resources allocated to its compliance and enforcement program as it has in the past to ensure efficient processing of cases.

In closing, I would like to say the Board looks forward to a very challenging year.

We will be honored to answer any questions you may have.

JUDITH E. HEUMANN
 ASSISTANT SECRETARY
 OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES
 UNITED STATES DEPARTMENT OF EDUCATION

On June 29, 1993, Judith E. Heumann was sworn in as President Clinton's assistant secretary for special education and rehabilitative services in the U.S. Department of Education. She took the oath of office in the Berkeley (California) City Council Chambers to acknowledge the city where the world's first independent living center and the world's first disability policy think tank, the World Institute on Disability (WID), were established. As deputy director, Heumann managed the independent living center from 1975 to 1982, and for ten years she served as vice president of WID, which she co-founded in 1983. From 1982 to 1983 Heumann was special assistant to the executive director of the California State Department of Rehabilitation, a position to which she was appointed by former Governor Jerry Brown.

Since having polio at the age of eighteen months, Judy Heumann has known discrimination firsthand. She was able to begin her career as a teacher in the New York City school system only after she sued the Board of Education, which had turned her down for a teaching position because she could not walk. One of the first to recognize that discrimination against disabled people was a civil rights issue, she has championed the cause of equality for disabled people around the nation and around the world. She has worked tirelessly to change laws, policy, and perceptions about people with disabilities. While serving on U.S. Senator Harrison Williams' staff, she helped develop legislation that became the Education for All Handicapped Children Act (P.L. 94-142) and worked on the development of regulations for Section 504 of the Rehabilitation Act. Later, she helped draft federal and state legislation that led to the creation of more than 200 independent living centers nationwide. In 1979 Heumann was appointed by Governor Brown to serve on the California Commission on Special Education, a post she held until 1983. Recognized nationally and internationally as an advocate for self-determination for disabled people everywhere, Heumann has served on the boards of various organizations and received numerous awards, including the Henry B. Betts Award in 1990, in recognition of her outstanding efforts to improve the quality of life for people with disabilities. She also is a well-known authority and speaker on disability issues. With her appointment to the Office of Special Education and Rehabilitative Services (OSERS), this longtime activist is now in charge of federal programs serving almost six million disabled children, youth, and adults. Assistant Secretary Heumann manages a budget of over \$5.5 billion and oversees the Office of Special Education Programs, the Rehabilitation Services Administration, and the National Institute on Disability and Rehabilitation Research. She has strongly committed herself to aligning these programs with President Clinton and Education Secretary Riley's agenda: to promote the inclusion, independence, and empowerment of disabled people throughout society.

Among Heumann's top priorities is to ensure that OSERS programs are more accessible to disabled individuals from minority and culturally diverse backgrounds. To increase the number of such applicants who receive OSERS research and training funds, she is opening up the peer review process and redirecting outreach activities. Heumann is also committed to program accountability and to spreading the word about model programs that work. Equally important, she is working with Department and Administration officials to ensure the full participation of disabled people in the **Goals 2000: Educate America Act**, school-to-work legislation, and other federal initiatives, and she is committed to education and rehabilitation reform in OSERS programs and priorities. To accomplish these goals, she is working to establish a dialogue with practitioners, family members, disabled people, and others. She encourages people to share their experiences, participate in public meetings, comment on proposed regulations, and become involved in the education, rehabilitation, and community reform movement.

Heumann pledges to do as much as she can to make the government and the nation see that disabled people are an integral part of the whole fabric of our country. "I will feel that I have accomplished my goal if we stop seeing the needs of disabled people as being special and different, and disabled people become integrated, productive members of our communities," she says. She has articulated her vision for OSERS as "working aggressively and collaboratively to create a society in which all disabled people can obtain the knowledge and skills necessary to achieve the goals they set for themselves."

Heumann graduated from Long Island University in 1969 and received a masters degree in public health administration from the University of California at Berkeley in 1975.

Judy Heumann lives in Washington, D.C. and is married to Jorge Pineda.

BUDGET REQUEST

Mr. PRICE. That gives us some time to explore these questions.

Let me just turn to the most obvious one, the budget proposal, that declines from \$3.35 million in 1994 to \$3.244 million in 1995. This represents a reduction of 3 percent, but with the effects of even modest inflation, it amounts really to about a 5 percent decline in current services, or an adjusted inflation estimate.

The amount of money we are talking about is not great in the scheme of the federal budget. Why do you think the Access Board was not able to convince OMB to keep the board's budget at least even with last year? What was your experience there and what should we do about it?

Ms. HEUMANN. I will have Larry Roffee, who is the Executive Director of the Access Board, respond to that question.

Mr. ROFFEE. Mr. Chairman, OMB looked at our agency's budget, just like they do all larger agencies, and put us through the same reductions that they did everybody. As part of the administration, we do support those.

We have chosen to take those cuts from our research program. When we looked at 1994 to 1995, we had to keep the basic core programs going; that is, our rulemaking activities for the ADA, providing technical assistance, and Architectural Barriers Act enforcement.

As I said we did decide to take those cuts out of our research program.

A level of \$184,000 is enough to fund our regulatory impact analysis for our rulemaking and maybe for one other project.

MAXIMIZING FINANCIAL RESOURCES

Mr. PRICE. I wonder what encouragement you got from OMB to explore fully other ways of maximizing your financial resources, perhaps seeking to increase the amount of training and travel costs that are reimbursed, or charging more for publications and documents. Are there other possibilities of that sort that might be explored?

Mr. ROFFEE. Yes, sir. We have always tried to have our travel costs for training reimbursed. We have sold about \$10,000 worth of publications. I think the biggest addition to our budget can come from cooperating with other agencies on our research.

Our chairperson here oversees the functions of the National Institute on Disability and Rehabilitation Research, and I will turn it back to her to explain what they are trying to do to help us.

Ms. HEUMANN. Right now we have met with the Board and are looking at some of their priorities to see where we can have some linkages between theirs and ours. Areas we are looking at are children environment's, transportation, and detectable warnings.

As the chair I am also going to be working with other departments to see if there are other opportunities that may exist to be able to look do more collaborative projects. We are trying to link up the work we are doing with different agencies to help the Board.

Mr. PRICE. So that would be your main strategy for stretching the few dollars at your disposal?

Ms. HEUMANN. We also certainly have the option to do more training and accrue more dollars as a result of more training.

Mr. CAPOZZI. One of the things we are trying to do is to do our jobs smarter with less money. We know that in the future dollars are going to get scarcer, so last year we provided about 72 training sessions and we are recouping most of our out-of-town travel expenses, whereas in the past we have not recouped that much money.

So we are able to do much more training than we were before because we are just not going out of town unless people reimburse us for our travel expenses.

We are also looking at doing a new publication next year. It is a manual on ADAAG that would be distributed on a subscription basis, so that also offers an opportunity to actually start recouping some money for the services that we provide.

Mr. PRICE. Good.

Mr. Coleman.

ADA COMPLIANCE COSTS

Mr. COLEMAN. Thank you, Mr. Chairman.

I am very interested in whether or not the Access Board is planning or would plan with additional resources research into determining reliable cost estimates with the Americans with Disability Act compliance.

One of the problems that those of us who were supportive of that legislation hear fairly often is will we get numbers thrown at us? We all know the horror stories.

Nonetheless, one of the issues that I think is important is whether or not we will be able to give valid, true assessments of that kind of cost.

Do you have additional research planned other than what you have already done or if you had additional resources, could you foresee a possibility of some valid research being conducted?

Mr. ROFFEE. I would never be one to turn down additional resources, sir.

Mr. COLEMAN. I have heard a one percent cost estimate. You may have heard that. Do you think that one percent is valid? Should we move forward to either rebut it or confirm it or are we satisfied that is an accurate number?

Mr. ROFFEE. I think the Access Board came up with that cost estimate. As you are aware, every major rule published has to have what the OMB calls a regulatory analysis. We do those through our research program. Our regulatory analysis for the original set of guidelines published in 1991 did come to the conclusion that for new construction, the additional cost added by the accessible features was slightly less than one percent, and even less for new transit vehicles. So we are very confident of those numbers.

I think where the difficulty is, is in gauging the costs of the ADA's overall impact. How much is it adding in new construction throughout the United States?

We can tell in terms of cost for a particular building or transit vehicles and we are sure of those costs. The question is open how much it costs across the United States.

Mr. COLEMAN. It is hard, I think, to put serious estimates on the more nebulous parts.

Mr. CAPOZZI. The figure that you mentioned, less than one percent of the total construction cost, has been pretty consistent since 1978. That was actually the first time that that number surfaced, it was a Department of Housing and Urban Development project that estimated the cost of making housing projects accessible. And consistently after that, the costs of access are one percent or less for new construction, because the elements that are required for access, really, in the scheme of things, are not that great for a large facility.

The costs of compliance with the ADA, I would say, are much less for the construction of a facility as opposed to operational costs when you talk about transportation, and I know that this Committee is very interested in that issue. That is a very big cost of complying with the ADA, when you have to hire drivers and pay for insurance and put gas in the vans to drive people.

So that tends to be a fairly expensive undertaking. But the facilities side has not really been an issue, and that is why it was relatively easy, I can say that not having to vote on it like the members did, but it was relatively easy starting from the basis of saying that new construction must be accessible because it is such a low-cost item.

Ms. HEUMANN. I don't know that there would be a need for more research, but I think one of the problems is that there is always a need for more technical assistance, given the size of the country, to ensure that those people who have to implement are really knowledgeable about how to do it and are not putting costs on that are unnecessary costs.

Mr. CAPOZZI. Actually, there is some data to support what Judy just said. There was a GAO report that was just concluded in, I think it was May of 1993, which found that about 25 percent of the barrier-removing activity that was done by businesses was not really necessary. The elements that were being made accessible, in fact, already complied with the accessibility guidelines.

So there is a good deal of ignorance about the access needs and access requirements and I think there is a good deal of education that sometime needs to be done.

UNNECESSARY ADA COSTS

Mr. PRICE. What percent was found to be unnecessary?

Mr. CAPOZZI. Twenty-five percent of the planned changes were not necessary since the features already complied with ADAAG.

Mr. PRICE. What is the source of that error? Surely the owners and proprietors are not anxious to do unnecessary work.

Mr. CAPOZZI. I am not sure. Bad information. There have been problems with consultants that perhaps are not as credible as they should be.

Mr. COLEMAN. Mr. Chairman, in my district for one building the determination was made that compliance would not be costly. However, the head of the business decided that he also wanted to make it look nice. Some of those costs are probably attributable to things that are done extra, but then they somehow get lumped into it.

They take the inflated number rather than taking out the things that were not actually necessary, but nonetheless were done. And in fact, I will just say that this particular gentleman added a completely separate entrance in order to make it accessible to different kinds of handicapped people.

So some of these numbers may not be totally reflective.

HISPANIC ADA TRAINING

Mr. COLEMAN. Let me ask one other question, if I might, Mr. Chairman. Your research plan presented this year features a project to develop a comprehensive interpretive manual on the Americans with Disabilities Act Accessibility Guidelines. That was evidently a new initiative not mentioned in last year's submission; am I right in that?

Mr. CAPOZZI. Yes.

Mr. COLEMAN. Please describe the new initiative. Even with the new budget numbers, I assume you are still planning on going forward with that. To what extent is the Access Board making outreach initiatives aimed at non-English-speaking citizens and residents within the United States?

My district has a fairly significant number of persons that are non-English-speaking citizens and I am interested in what initiatives are being taken.

Ms. HEUMANN. We could take the second part first.

Mr. COLEMAN. They may not be related at all. I thought perhaps they might be.

Ms. HEUMANN. It is not related to the Board, which is why I will answer that first, and let David answer the part related to the Board.

As you know, I am the Assistant Secretary over at the Department of Education, and we have money through the National Institute on Disability and Rehabilitation Research, to provide technical assistance in the area of the Americans with Disabilities Act. We are going to put out a request for proposals to specifically do training in the Hispanic community.

I don't know if this is the community that you have a large population of.

Mr. COLEMAN. Yes.

Ms. HEUMANN. We have a particular concern that there has not been sufficient training of people from the Hispanic community who are monolingual, or not sufficiently English speaking, so we will be putting some money out in that area and I can get you some more specific information on that.

Mr. COLEMAN. I would appreciate that.

[The information follows:]

Currently, the Hispanic population in the United States totals 22 million. Of this group, 4.48 million report that they do not speak English well or do not speak English at all. Of the 22 million Hispanics, approximately 3,343,000 are individuals with disabilities. In other words, one out of every fifteen Americans with a disability is Hispanic.

Hispanics with disabilities whose proficiency in English is limited, as well as Hispanic business owners and service providers, need to understand the requirements of the ADA. Federal agencies have made a number of their ADA publications available in Spanish. NIDRR has piloted an effort with its Region VI Southwest Disability and Business Technical Assistance Center to provide training and technical assistance to persons in the Spanish-speaking community. This project has included

the publication of additional documents in Spanish as well as efforts to provide popular Hispanice media iwth information about the ADA that is sensitive to cultural norms regarding disability. While these efforts have been productive, more needs to be done. Therefore, NIDRR is proposing a funding priority to provide training for Hispanics with rights and duties under the ADA whose proficiency in Engilsh is limited.

ADAAG MANUAL

Mr. CAPOZZI. The manual we envision consists really of two parts. One is very simply a copy of the most current version of the accessibility guidelines. As we keep doing rulemaking, the guidelines change and architects, and engineers, designers, and owners of businesses are never quite sure if they have the most recent version. We think that in and of itself is a very good service of making sure that people have the most current version of what they are required to build to.

That would be one part of it. The other part would be some interpretive material that would give some guidance to designers and architects, and that is our principal audience, as to what we mean by certain provisions, so that they do not have to come up with their own ideas and so they do not waste money.

Hopefully, such a manual will start to cut down on some of our technical assistance calls. I am not sure if that will be the case or not. It may, in fact, increase it.

We think it is a really needed service. It is one that has been requested many times by several of the large trade associations, like American Institute of Architects and the Building Owners and Managers Association. We will be sitting down with groups like that to get ideas from them as to the best mechanism to disseminate the manual and the proper format so that it meets their needs. We see it as long overdo.

Mr. COLEMAN. Well, thank you.

Ms. HEUMANN. The other thing, Mr. Coleman, are you aware that there are a number of pieces of material related to the ADA that are in Spanish?

Mr. COLEMAN. Yes.

Ms. HEUMANN. You do know that?

Mr. COLEMAN. Oh, yes. We have been able to access those as needed. Again, I think that one of the things that we need to continue to do is to have those kind of outreach efforts, and I appreciate your efforts in that regard.

Ms. HEUMANN. Thank you.

Mr. COLEMAN. Thank you, Mr. Chairman.

Mr. PRICE. Mr. Wolf?

DETECTABLE WARNINGS—RESEARCH

Mr. WOLF. Thank you, Mr. Chairman. I apologize for not being here earlier. I had a conflict at the beginning of the hearing, and I now have another hearing beginning.

But there are a couple of points I wanted to ask you, but first, I want to welcome you here.

Ms. HEUMANN. Thank you.

Mr. WOLF. In your budget justifications, you indicate you are currently conducting a study to determine the need for detectable

warnings and that, depending on the results a second phase of the study may not be necessary. There are really three questions.

When do you estimate concluding the first phase of the study?
Mr. CAPOZZI. July.

DETECTABLE WARNINGS—RULEMAKING

Mr. WOLF. In July.

Why is DOT requiring transit authorities to go forward with installation of these platform edge devices before the results of this study are known?

Mr. RAGGIO. The Access Board and the Department of Transportation have been conducting separate rulemakings in the area of detectable warnings during the past year, largely in response to petitions and requests for rulemaking.

In November of 1992, the International Mass Retailers Association petitioned the Access Board to conduct additional research on the need for detectable warnings at entrance ways to retail stores and to suspend the ADAAG requirements for detectable warnings at those locations pending the research.

ADAAG presently requires detectable warnings at entrance ways to retail stores if there is a curb ramp in front of the store—or if there is no curb or other element separating the store entrance way from a vehicle area such as a parking area.

Individuals with disabilities, in response to our notice about our research priorities, also asked the board to study the impact of requiring detectable warnings on sloped surfaces.

So our research project was initially designed to respond to those two petitions or requests for research, one having to do with the international Mass Retailers Association's concern about placing these detectable warnings at either the curb ramps or the curbless entrance ways to their stores; and people from the disability community concerned about the placement of the detectable warnings on the sloped surfaces in terms of its impact on the ability of people with disabilities to negotiate that sloped surface.

So a research project was designed to gather data on those two issues. There had not been any serious concerns raised at the time about the impact of detectable warnings on rail station platform edges.

The Bay Area Rapid Transit Authority and Metro Dade Transit Agency in Florida have had detectable warnings on all their stations for over five years. Neither of those authorities have reported any problems or any known accidents or incidents in terms of people tripping or falling or in any way impeding access by people with disabilities.

So it was felt, based on that data, on that existing experience of over five years with two transit properties, that there was no need to conduct additional research regarding rail station platform edges.

DETECTABLE WARNINGS—RAIL PLATFORM EDGES

In July 1992, several transit agencies did petition both the Access Board and the Department of Transportation to modify several requirements affecting key stations on existing rail systems. The ADA requires that modifications be made to key stations in order

to make them accessible. There was a three-year deadline for making those modifications. There was also an exception provided, if extraordinarily expensive structural modifications were required. Extensions between 20 and 30 years could be granted depending on whether it was a commuter rail or a rapid rail or a light rail system.

Since most of the issues directly concerned the Department of Transportation's regulations, the Department of Transportation addressed that petition. In a separate rulemaking, largely in response to the concerns raised in those petitions, the Department of Transportation had proposed to extend the time period for retrofitting those key stations with detectable warnings.

The issues raised were not so much as with safety, but as there are over two dozen products available on the market, that those transit properties wanted to test those various materials to determine what was the best for retrofitting their particular properties. They also needed to go through a lengthy procurement process. They were seeking additional time from the Department of Transportation to test the available products on the market and also to go through their procurement process. So they were not raising any concerns about the safety.

The Department of Transportation issued a notice of proposed rulemaking, and on November 30, 1993, finalized the rule. The reason for the action that they have taken is fully explained in the preamble to the rule.

As a matter of fact, they point out during the year in which this rulemaking was pending, there were four accidents reported in the media about persons who were blind falling off transit platform edges. In two or three of those cases the persons actually had fatal accidents.

The Department of Transportation very much saw this as a safety issue so they have affirmed the need for the detectable warnings, but they did grant some additional time for transit agencies to test the products and to go through their procurement processes. They did extend the compliance date for installing those detectable warnings.

DETECTABLE WARNINGS—ORGANIZATIONS OF THE BLIND

Mr. WOLF. Okay.

There have been articles, and people have contacted me. I have an article here from The Washington Post, "Safety Order Puts Metro on Edge Of Change."

It says, "The flashing lights might have to be removed," Metro officials said, "because it might be too difficult and expensive to install the new platform edge on top of the existing granite edge. Changing its platform edges could cost Metro more than \$30 million."

Then: "Advocacy groups for visually impaired people are divided on Metro's platform edges, whether they should be replaced. The American Council for the Blind supports the bumpy edges, saying the existing granite surface is difficult to detect with a cane, but the National Federation for the Blind opposes replacing the granite edges, in part because the use of such bumps is not widely taught to users of canes or guide dogs.

"Cannon, of the Architectural and Transportation Barriers Compliance Board, also said he believes applying the rubberized edges of the granite would cost less than \$8 million."

Since there is a difference, can you explain here, and maybe in more detail for the record, the differing opinions that exist among the groups which represent the visually impaired and give us some comment about your thoughts here today?

[The information follows:]

The differing positions of the organizations that represent persons who are blind and visually impaired are presented in the comments to the docket on the Board's rulemaking to suspend temporarily the requirements for detectable warnings at curb ramps, hazardous vehicular areas, and reflecting pools. The comments submitted by the National Federation of the Blind and the American Council of the Blind are provided for the record. The research project that the Board is conducting on detectable warnings will provide us with more factual data to assess these positions.

NATIONAL FEDERATION OF THE BLIND

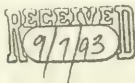
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MARC MAURER

President



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September 3, 1993

Mr. James G. Raggio, General Counsel
Office of the General Counsel
Architectural and Transportation
Barriers Compliance Board
1331 F Street, N. W.
Suite 1000
Washington D. C. 20004-1111

Dear Mr. Raggio:

This is the official comment of the National Federation of the Blind, responding to the notice published at 58 FR 37052 on July 9, 1993, concerning the proposed suspension of the guidelines for detectable warnings. As explained in the detailed comments below, we support the proposed suspension but request more decisive action. We also feel that the action being taken by the Board, the Department of Justice, and the Department of Transportation does not go nearly far enough. In light of the information which now exists and the information which is likely to be assembled through further study, we favor the eventual elimination of detectable warnings from the guidelines.

STATEMENT OF ORGANIZATIONAL INTEREST AND EXPERTISE

The National Federation of the Blind is a membership organization "of" blind people. As such, virtually all of our members will be affected directly by the decisions made on this matter. The Federation has a total national membership exceeding 50,000, and the vast majority of the members are blind. State affiliates of the NFB exist in each of the fifty states, the District of Columbia, and in Puerto Rico. Local chapters of the Federation can be found in most sizable population areas. Because of its widespread and large membership the Federation is often referred to as "the voice of the nation's blind."

It is an organizational requirement in the NFB that a majority of the active members must be blind. This is true at all levels. Only blind persons may hold elective office at the national level. Therefore, the NFB is not an organization speaking for the blind; it is the blind speaking for themselves. In the present instance, the views expressed in this comment reflect the Federation's officially adopted position concerning

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detectable warnings. NFB policies on matters such as this are determined by national convention vote, and the convention is the organization's supreme authority.

The presence or absence of detectable warnings in all of the areas specified in the guidelines has a direct impact on blind people. Therefore, of those affected by the proposed rule, those whom we represent are the most directly affected. Also, our experiences in traveling about both with and without detectable warnings provide the most relevant testimony concerning the need or lack thereof for the warnings. As both the notice and logic indicate, detectable warnings have been intended for blind and visually impaired people. Therefore, in making its decision on the proposed rule, the Board should rely most heavily on the expressed views of persons who are blind or visually impaired.

STATEMENT OF POSITION

The NFB supports suspension of the detectable warnings guidelines. However, we oppose a time-limited suspension. In point of fact, a suspension with an announced reinstatement date is not really a suspension. Building and facility operators must assume that the detectable warnings guidelines are actually still in effect although not currently being enforced. Therefore, there is not really a suspension at all. The Federation supports eventual elimination of the guidelines. With respect to transportation facilities, the Federation opposes continued application of the guidelines to newly constructed or altered platforms. We also oppose reinstatement of the guidelines on existing platform edges at key rail stations on January 26, 1995 or at any later date.

Detectable warnings should not be included in ADAAG or any other standards or guidelines for the following reasons: (1) in assessing the need for a detectable warnings guideline it is sound public policy to apply an "individual responsibility test" to determine whether it is reasonable to expect blind persons to travel without detectable warnings; (2) a safety need for the warnings is not supported by factual evidence; (3) the warnings communicate no information about the environment that is not already available to blind persons and routinely used by them; and (4) detectable warnings actually create a threat to safe mobility for blind persons and others.

(1) In assessing the need for a detectable warnings guideline it is sound public policy to apply an "individual responsibility" standard. Traveling about in a safe and efficient manner is and must remain a matter of individual responsibility. Access guidelines must acknowledge this fact. The guidelines should also acknowledge the methods--use of cane

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or dog--which are effective and safe for blind people. The guidelines should not disregard these methods and in any way encourage blind people to reject them. Use of effective travel methods is an individual responsibility. If a blind person elects not to use effective methods, the guidelines should not condone such behavior. Furthermore, it is not a responsibility for the government under the ADA to insure access for individuals who do not use the methods available to live independently.

As a matter of public policy it is the responsibility of society as a whole to provide a safe environment, but a rule of reason must also apply. Not all people--sighted as well as blind--will travel entirely safely at all times. The physical environment cannot possibly be built in such a way that no one is ever injured. Quite apart from that the aim of access guidelines issued under the ADA is to insure access. Safety is a broader social responsibility, and safe movement within facilities that are safe is an individual responsibility. The goals of the ADA have been met as long as individuals with disabilities have equal access. The absence of detectable warnings provably does not limit the mobility of blind persons who are employing responsible methods of independent travel.

(2) A safety need for the warnings is not supported by factual evidence. Buildings and facilities that are covered by the ADA are now as safe for use by blind people as they are for use by sighted people. This is the critical consideration. As stated above personal safety is largely a matter of individual responsibility. Access guidelines and their enforcement cannot assure safety for each person in all places at all times. The guidelines can assure that facilities are designed to be safe for society as a whole, including for blind individuals. It is demonstrably the case that without detectable warnings buildings and facilities covered by the ADA are on the whole no less safe for blind people than they are for sighted people.

Safety is certainly an appropriate concern, but in the making of public policy concerns about unwarranted actions and expenditures are also appropriate. Therefore, the safety concern cannot be based on fear; it must be based on fact. Fear of being unsafe because of blindness is an understandable feeling for sighted people, but it leads to conclusions based on emotional responses, not factual information. Emotionally it is hard to accept the fact that sight is not an essential sense to protect against most hazards in the physical environment. Blind people now move about safely. Daily this provides empirical evidence that fears of falling or being injured are groundless since hazards can be identified in advance.

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(3) The warnings communicate no information about the environment that is not already available to blind persons and routinely used by them. Detectable warnings do not add to the information now available about the location of building hazards or environmental characteristics. The hazards or characteristics can be located, with or without the warning, by means of the cane or guide dog. In addition, the warning does not indicate the nature of the hazard ahead. Therefore, further exploration by the blind individual is always needed. The warning on its own is confusing. It does not provide any form of assurance that vital information is communicated to the blind person.

The legal premise for including detectable warnings in ADAAG is that such warnings allegedly assure blind persons of accessible communications about environmental characteristics. However, characteristics of the physical environment already provide essential information and the warnings, themselves, add nothing. Consequently, the legal premise for requiring detectable warnings must fall. The warnings do not insure an environment that is discrimination-free for blind people and are therefore not justified under the ADA.

(4) Detectable warnings actually create a threat to safe mobility for blind persons and others. If detectable warnings are ever accepted as an appropriate travel aide for the blind, there is no rational argument for limiting their application. Yet, if their use is not limited, the initial cost and continuing maintenance costs would be prohibitively expensive. If as a matter of policy one accepts the need for detectable warnings, why should any obstacle in the path of travel not be bounded by such a warning? If only some hazards are marked by warnings, inconsistency is likely to be a serious (even dangerous) concern. How can the average blind traveler have any confidence that a warning will be provided against apparent dangers, if only some warnings are required at only some locations?

If detectable warnings are as effective as their proponents believe them to be, it is reasonable to expect that blind people will come to rely upon them. That would be a dangerous outcome. The guidelines do not require warnings to protect against every hazard, but the average blind individual cannot be expected to be an expert in the guidelines. For example, if warnings are only on the platforms of key rail stations, what will happen to the blind person who uses or travels to a station that is not key. How is the individual to know whether to expect or not to expect the warnings? The assumption that a warning must be present could be deadly in either a subway station or on a street.

For people who are not blind detectable warnings themselves pose new obstacles and dangers. For example, persons with

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mobility impairments, including people who use wheelchairs, walking canes, crutches, walkers, or other mobility aids, find these warnings to obstruct their smooth, level path of travel. Injuries can be caused when the integrity of the surface is disrupted. So, rather than creating greater access for individuals with disabilities, detectable warnings are additional barriers. In that sense they defeat the purpose of the ADA.

SPECIAL CONSIDERATIONS RELEVANT TO TRANSPORTATION FACILITIES

The current suspension of the detectable warnings requirements on platforms of key rail stations until January 26, 1995 is patently absurd. If one accepts the need for the warnings on platform edges, then the need exists now. If one does not accept the need, then the need will not exist to any greater degree in 1995 than it does at present. Since the Board has decided to submit the matter of detectable warnings to further study, it would make far more sense for the Department of Transportation to join in that study. Meanwhile, the guidelines applicable to platforms at key rail stations should be postponed indefinitely.

Training methods are definitely available for blind people to use raised transit platforms safely and confidently. Unlike a slight slope at a ramped street crossing, the platform edge is a sharp drop-off. It is a natural, detectable warning which can be found by cane or dog. Blind travelers locate the platform edge (using either cane or guide dog) and orient themselves to it. The traveler knows with confidence that the train will arrive at a platform edge and therefore wishes to be safe by deliberately locating the edge immediately upon arrival on the platform.

For the blind person a detectable warning along the edge presents nonspecific information about a change in the floor surface. It also interferes with effective use of the cane at a critical point, causing the cane to jump and lose contact with the floor surface. It does not establish that the edge has been reached, and in fact can cause a blind person to miss the edge with the touch of a cane. With or without the warning the blind person must find the edge of the platform and do so at a safe distance with cane or guide dog. The only way that the traveler knows for certain that the edge has been found is positively to identify the edge, not the warning. The procedure just described is safe and efficient.

Concern has been raised about two tragic deaths in major urban transit stations (Boston and New York) which occurred in June and July 1993. The women killed in each instance were blind and using guide dogs. They both proceeded to step off of the

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raised platform after their dogs had already stopped. Proponents of detectable warnings have used these deaths as evidence for the need. They say that detectable warnings on the platforms of each station in question could have prevented the tragedies.

As to whether the deaths could have been prevented by the warnings, that is a question of fact. Although the deaths cause feelings of sadness for all of us, the facts which led to the deaths must be examined in making public policy. Since she lived for several days after her fall, Peggy McCarthy, who was killed in Boston, reportedly told her friends that she realized her mistake in proceeding after her dog had stopped. Thus the dog provided Ms. McCarthy with an appropriate warning, which she apparently misinterpreted, at least to some extent. Unfortunately, tragedies of human error such as this cannot be prevented. Ms. McCarthy could misinterpret a detectable warning just as she misinterpreted her dog's warning.

Pamela Schneider, who was killed in New York, had found the edge of the platform, her dog had stopped to inform her of the edge, and witnesses reported that she continued to walk, weaving along the edge with the dog. Finally she lost her balance and fell as a train was arriving in the station. The temperature in that station at the time was said to be 110 degrees, and Ms. Schneider was diabetic. The observers' reports suggest that physical instability was the likely cause of the fall from the platform. The platform itself had a detectable warning.

In one sense, decisions to require or not to require detectable warnings come down to matters of genuine human concern. Therefore, there is an almost inescapable draw toward accepting the emotional response to tragedies such as these. The successful experiences of blind people using transit systems everyday can help to balance the perspective and cannot be ignored. In point of fact, finding raised platform edges is something that any blind traveler who uses a train must do as a routine matter of daily life.

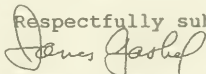
The best way to travel with safety and confidence is to employ deliberate measures to find the platform edge and not to shy away from doing so. Unlike some other characteristics of the built environment the edges of raised train platforms cannot be hidden or obscured by other surroundings. They can be found with certainty by cane or dog. Transit operators and government regulators alike can be assured that these techniques work safely. This statement represents the informed view of blind people who for reasons of self-interest have absolutely no desire to be unsafe.

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CONCLUSION

For the reasons set forth in this comment, the National Federation of the Blind requests the indefinite suspension of all detectable warnings guidelines. The partial and time-limited suspensions contemplated will simply add to the confusion and send a signal of government uncertainty. If the agencies responsible are in fact now in doubt about the efficacy of continuing to enforce guidelines for detectable warnings, they should say so in a straightforward manner. This policy would be far more responsible than taking the partial and indefinite action proposed. This is not to say that the matter should not receive further study if the agencies decide to do so.

Respectfully submitted,



James Gashel
Director of Governmental Affairs
NATIONAL FEDERATION OF THE BLIND

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COMMENTS SUBMITTED TO
THE ARCHITECTURAL AND TRANSPORTATION BARRIERS
COMPLIANCE BOARD, DEPARTMENT OF JUSTICE AND
DEPARTMENT OF TRANSPORTATION

ON THE

JOINT NOTICE OF PROPOSED RULEMAKING
AMERICANS WITH DISABILITIES ACT
ACCESSIBILITY GUIDELINES; DETECTABLE WARNINGS
Docket 93-3, 58 FR 37052

BY

AMERICAN COUNCIL OF THE BLIND
AMERICAN FOUNDATION FOR THE BLIND
ASSOCIATION FOR EDUCATION AND REHABILITATION
OF THE BLIND AND VISUALLY IMPAIRED

September 7, 1993

Submitted to:
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Barriers Compliance Board
1331 F Street, NW Suite 1000
Washington, DC 20004-1111

The undersigned organizations are pleased to provide comment on the Notice of Proposed Rulemaking (NPRM) filed on July 9, 1993, by the United States Department of Justice, the United States Department of Transportation and the United States Architectural and Transportation Barriers Compliance Board Docket No. 93-3 which proposes a suspension of requirements for the installation of detectable warnings currently found in the Americans with Disabilities Act Accessibility Guidelines (ADAAG). We object in the strongest possible terms to any suspension (temporary or otherwise) to the requirements for the installation of detectable warnings now included in the ADAAG for the following reasons:

- The NPRM fails to justify a suspension;
- We are not aware of any evidence supporting the need for a suspension; and,
- The need for and value of detectable warnings has been demonstrated.

Problems with the NPRM

Detectable warnings have become a major point of controversy both within the blindness community and within the wider community of individuals designing and implementing accessibility standards. The controversy has been fueled by politics, myth and innuendo rather than hard, factual evidence. The publication of the July 9, NPRM by the three cooperating federal agencies is the latest manifestation of a highly-charged and poorly justified political campaign against detectable warnings. The detectable warning was developed to be, and now functions as, an environmental adaptation designed to enhance independence and access to the built environment for individuals who are blind or visually impaired. Unfortunately, the warnings have become a pawn in the ongoing battles within the blindness community over what is most appropriate for our population. The political campaign against detectable warnings has featured a host of myths and misinformation.

In this latest salvo, the NPRM issued on July 9, contains not even a shred of evidence to support the proposed suspension. Furthermore, the federal agencies submitting this NPRM have completely disregarded the valid safety and access concerns of individuals who are blind or visually impaired. Instead, the NPRM includes the same speculative, vague and unsubstantiated concerns: need for detectable warnings; safety of individuals wearing high heels or using wheelchairs or other mobility devices; and, durability/maintainability of the product.

The opponents of detectable warnings have orchestrated an extremely effective political campaign to "dump the domes." However, access and safety issues should be decided on the basis of reasoned analysis not high pitched rhetoric. The Access Board, made a sound decision to incorporate requirements for a detectable warning surface into the ADAAG as an access feature designed to make the built environment more accessible to and usable by individuals with visual impairments. Likewise in adopting the ADAAG, the Departments of Justice and Transportation showed due regard for the access needs of this population. We believe that clear and convincing evidence must be presented to the docket on this NPRM in order for these agencies to now retreat from this critical accessibility requirement.

If a suspension in the required installation of detectable warnings as specified in the NPRM is granted, the docket must show tangible and documentable evidence of the need for such a suspension. Merely bending to political pressure in granting the suspension obviously cannot withstand legal scrutiny.

Lack of Evidence

Neither the petition filed by the International Mass Retailers Association (IMRA) nor subsequent comments have produced specific documentable examples of accidents or injuries directly attributable to detectable warnings. Several allegations of injuries are made in the IMRA petition, but no actual locations are cited and no official accident reports are appended to or referenced in the petition. In fact, we find it difficult to imagine that more than a few, if any, IMRA members had actually even installed detectable warnings at the time the petition was crafted in the summer of 1992. The warnings were not required in new construction for first occupancy until after January 26, 1993 (well after the date of either the first or the amended IMRA petition). Of course, requirements for accessibility related to alterations were applicable as of January 26, 1992. However, we seriously doubt that very many IMRA members, or similar establishments, triggered these requirements with respect to detectable warnings by altering the pedestrian or loading zone areas in front of their facilities. It is incredible that, largely in response to the amended petition of the IMRA, the Access Board voted on November 18, 1992, to suspend the requirements for detectable warnings. Even in its amended form the IMRA petition is extremely weak and entirely lacking in any evidence to support the speculative claims of injuries and other mishaps likely to result from the use of detectable warnings by IMRA-member facilities.

The NPRM also includes vague references to comments submitted by other disability groups expressing concern about the safety of detectable warnings for people who use assistive mobility devices, particularly with respect to curb ramps. Again the NPRM includes no evidence to substantiate or document these vague, speculative, alleged safety concerns. In a press release from the National Council on Independent Living (NCIL), dated July 29, 1993, that organization states its support for the installation of detectable warnings including the installation of such warnings on curb ramps at the boundary with vehicular ways. NCIL is the major organization of independent living centers, (consumer-run, cross-disability, community-based organizations found across the nation), and it therefore represents a significant cross-section of the disability community.

The NPRM includes several references to the need for further research on detectable warnings. While some issues related to the proper use and installation of detectable warnings may require further research, e.g., use at stairs and measurement of light reflectance (visual contrast) in field conditions, these hardly justify suspending the requirement. At the same time, the Access Board indicates in its final research priorities for FY 1993 and FY 1994 that the current ADAAG requirement for slope on curb ramps may be too difficult to negotiate for many individuals with disabilities. In addition, in its bulletin on slip resistant surfaces the Board indicates that no reliable method exists with which to measure the slip resistance of surfaces with respect to the needs of persons with mobility impairments. Yet, the Board is not suggesting to suspend curb ramp slope requirements or slip resistant requirements pending the outcome of further research.

Finally, a similar notice to suspend the installation of detectable warnings on transit platforms in key stations, U.S. Department of Transportation NPRM dated November 17, 1992, has apparently failed to elicit any significant evidence to support the suspension. However, the Department has not yet made its final decision on that NPRM.

Justification for the Standard

Features to increase accessibility for individuals who are blind or visually impaired in the built environment are fairly recent additions to building codes. While concepts such as attaching audible output devices to traffic signals or Braille signage on certain rooms are quite old, efforts to standardize and "scope" these and other access features into building codes are much more recent. For instance, the Uniform Federal Accessibility Standards contain few requirements which enhance access for individuals who are blind or visually impaired. As late as 1978, the American Council of the Blind was advocating for minimal Braille and raised character signage in elevators (something which virtually all groups representing the interests of blind people now take for granted). In short, there is a very brief history of concentrated effort with respect to standardizing the design and scope of accessibility standards to enhance access and independence for blind persons negotiating their way through the built environment. Therefore, it is not surprising--given the highly politically charged atmosphere which generally pervades the blindness community--that disputes now rage regarding which access standards to accept and which to fight against. However, the fact that political disputes occur with some frequency within the blindness community is absolutely no excuse for inaction by the federal agencies submitting this NPRM on the relevant safety and access concerns of individuals who are blind or visually impaired.

The lack of history is not because individuals who are blind or visually impaired are not interested in, or in need of, such features. The Access Board received numerous comments from and on behalf of blind persons who made it quite clear that the built environment is loaded with barriers which impede access and independence for persons with visual impairments. It appears that the level of interest in access among the blindness community is growing quite rapidly--even since the publication of the first NPRM outlining the ADAAG back in February, 1991. In just a little over two years, people who are blind, and those who work with this population, have become much more knowledgeable about access issues and standard-setting bodies such as the Access Board and the ANSI A117.1 Committee. The blindness community is now becoming aware of the profound improvements in access and independence which can be brought about as the result of work by these standard-setting bodies. Unfortunately, the community is also becoming aware of how quickly our gains will evaporate with the slightest stirring of political pressure.

The Access Board has heard from many blind persons, and many others familiar with the interests of blind persons, about the difficulty of navigating the built environment safely and independently in the absence of effective and usable information. Detectable warning surfaces are intended to convey information in a rapid, easily understood manner. The deaths of blind persons who fell from subway platforms tragically reminded us this summer of the profound lack of safety for even the most experienced blind traveler walking along an unprotected platform edge. The consequences of suspending the requirement for

detectable warnings as currently written in the ADAAG may not be quite as horrible as the death of a blind person who inadvertently falls from an unprotected transit platform. However, that does not mean that a suspension would have no consequences.

Blind people are increasingly coming into contact with curbless intersections, where once a curb, or a detectable ramp served as an adequate warning. With the passage of ADA, and its new construction, alteration and barrier removal requirements placed upon both private businesses and government agencies, a full scale attack upon curbs is underway. While this enhances access for people who use wheelchairs, the result may well dramatically and dangerously decrease access for blind people. If a blind pedestrian is unable to rapidly detect the difference between a sidewalk and the intersecting street, that pedestrian is in potential danger of being struck by a vehicle. That pedestrian is also most certainly likely to lose his or her orientation when he or she fails to recognize an intersection and therefore is deprived of one important piece of information. This argument is, of course, better suited for proposed Section 14 of the ADAAG (we have argued for the inclusion of detectable warnings in Section 14 during the comment to the Docket on that NPRM). Indeed, a study conducted early in 1993, "Cues Blind Travelers Use to Detect Streets," illustrates what many blind people have known for quite some time: Shallow curb ramps or uncurbed intersections offer no effective cues to the blind or visually impaired traveler to alert him or her to the difference between the sidewalk and the street. In the study, conducted by Janet M. Barlow, 80 blind travelers experienced in the use of the white cane approached 80 unfamiliar intersections in eight U.S. cities and stopped when they decided their next step would be into the street. For ramps having slopes similar to those required by the ADA Accessibility Guidelines, blind participants entered streets without stopping on 48% of approaches. Overall, over one third of the blind individuals who encountered a curb ramp inadvertently walked down the ramp and stepped into the street without first stopping, indicating that blind pedestrians, even those trained in the use of the white cane, experience significant problems detecting curb ramps and uncurbed intersections. Furthermore, when individuals inadvertently walked into the street, there was traffic on that street almost 60 percent of the time.

Detectable warnings play a critical access and safety role with respect to public accommodations and commercial facilities. Many such facilities--e.g., retail stores, hotels, restaurants, theaters and convention centers--encompass areas where pedestrian walks cross or adjoin areas where vehicles travel at substantial speed. Upon emerging from the exit of such a facility, blind pedestrians would have little immediately usable information available with which to judge whether or not they were near a parking lot, driveway or street. Many public accommodations or commercial facilities do not have a curb or even a steep ramp separating pedestrian areas from a proximate vehicular way serving the facility. Blind persons, especially those unfamiliar with the facility, would therefore have great difficulty rapidly and efficiently distinguishing between the "safe" pedestrian walk and the unsafe vehicular way. A properly installed detectable warning could provide that information, rapidly, efficiently and effectively, and the warning--unlike a curb or other detectable obstruction--would not impede travel by any other individuals wishing to use the facility.

It has been argued that since the detectable warning is not widely used or "taught" to blind persons, it would convey no meaningful information to blind or visually impaired individuals. First, since most individuals who meet the common definition of "blind" have some usable vision, a properly installed detectable warning with clear visual contrast would likely attract the attention of a large portion of its primary intended audience. Individuals would then be alerted to carefully review their surroundings. Second, it is true that detectable warnings would have to be incorporated into proper orientation and mobility training of blind individuals. However, even those not trained to precisely interpret the meaning of the truncated dome pattern would, by using the many techniques and methods of observation available, detect the difference in the surface characteristic. Therefore, if a blind individual believed that he or she was close to a street or other vehicular area, this difference in surface would certainly be noticed and used as another, very helpful cue. In fact, one of the primary reasons for specifying the truncated dome pattern is that it was proven to be highly detectable by blind or visually impaired individuals. Eventually, as detectable warnings become more commonplace, individuals would naturally become more familiar with using the information conveyed by the warning.

Detectable warnings are becoming, and will continue to become, part of the built environment, in this nation and abroad. California has adopted the ADAAG standard, with a few clarifications, in its accessibility code Title XXIV. Detectable warnings will also become commonplace throughout our nation's rail systems. In addition, other industrialized nations are using the ADAAG pattern or a substantially similar pattern. Japan has already widely installed the warnings. And, we understand that Great Britain, Australia and New Zealand have, or will, adopt a design standard similar to the ADAAG detectable warning for use in various situations.

Areas for Possible Board Action

Detectable warnings constitute no proven hazard and no proven problem. In order to carry out its responsibilities under the ADA, the Board should take the following actions:

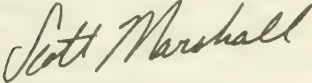
- maintain current requirements but clarify that curb ramps need a detectable warning surface extending to a depth of 24-36 inches (which may depend on the slope of the ramp) at the boundary with the vehicular way. Further research could clarify the depth of warning surface necessary.
- The Board should consider research designed to provide covered entities with information enabling them to determine which type of detectable warning product and installation method(s) would work best for particular kinds of site-specific factors, e.g., cold snowy climates, sites likely to be traversed by vehicular traffic, sites likely to include heavy pedestrian use, etc. This kind of guidance would be most helpful.

The undersigned organizations again wish to note that the IMRA objections are largely speculative. However, the Board could certainly consider actions designed to address IMRA's concerns without needlessly suspending the entire detectable warning standard. For example, the Board could consider amending the ADAAG to include a limited variance for IMRA-like locations. Such a variance might relieve such locations from a requirement to install detectable warnings in the specific circumstance where a pedestrian walk which is bounded by a loading zone without any curb or other detectable element, is bounded on the other edge by the building or some other constant and detectable element. However, the pedestrian/vehicular boundary area immediately adjacent to the entrance and exit of such a facility should continue to require a detectable warning as a clear alert to blind pedestrians.

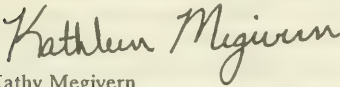
Respectfully Submitted,



Paul Schroeder
Director of Governmental Affairs
American Council of the Blind



Scott Marshall
Associate Executive Director for Governmental Relations
American Foundation for the Blind



Kathy Megivern
Executive Director
Association for Education and Rehabilitation of the Blind and Visually Impaired

Ms. HEUMANN. This is Craig Kiser, who is the vice chair of the board.

Mr. WOLF. Welcome.

Mr. KISER. Thank you.

There is a great deal of controversy between the two major organizations of the blind over this issue as well as over other issues. The big controversy here centers around whether or not detectable warnings are needed primarily at roadway intersections, but also at any site.

The feeling of the National Federation of the Blind, which has been very vocal about it, is that there is no current problem. If a person is trained to use a cane or to use a guide dog, there is no problem for that person to find where he or she is trying to go, and that the placement of detectable warnings would be unduly burdensome to, in terms of cost, on the public, and would serve no offsetting beneficial purpose.

Whereas, the American Council of the Blind is equally adamant believing that the absence of those detectable warnings creates a safety hazard as well as a way-finding difficulty or barrier for the blind.

This was the primary reason, or one of the compelling reasons, for us starting the research project; to try to ascertain, to the best that we can, whether or not there is indeed a need for detectable warning, and if there is a need, where, in what locations and what types. I hope that has answered the question.

Mr. WOLF. Well, I think it does. What is the theory behind the differences; two credible groups, both good, both understanding the problem but yet coming down with diametrically opposed positions?

Mr. KISER. Well, I am not sure I can adequately answer that one. I think a great deal depends on the individual's training and abilities. Many of these controversies come down to, in my opinion, to a difference between what is a true barrier versus what is a convenience.

There are things that could be done that clearly would make life easier for me and for other blind persons, but without them, am I denied the ability to do things? No, I can do them.

So that, I think, may be where the distinction lies, that the one group views it as a luxury, if you will, and the other views it as a necessity.

DETECTABLE WARNINGS—BOARD POSITION

Ms. HEUMANN. I think like in any area of work, there are differences of opinion and so we would just say these organizations also have different views on issues. But I would like to say the Access Board, has voted on this issue regarding the need for detectable warnings on rail station platform edges.

Mr. WOLF. Was it a unanimous vote or what was the vote?

Ms. HEUMANN. It was a unanimous vote. Additionally, I would like to say that I am from California. I am out here as a Clinton appointee. I have been using the BART, with the detectable warnings on the platform, and we have found them to be very helpful out there. I think one of the additional issues is that there are many people who are losing their vision as elderly individuals.

Many of those individuals can really benefit from this type of additional support.

I think one of the issues that goes on within the blind organizations is that many times more younger individuals are getting mobility training. I think effective mobility and orientation may negate, for some people the need for these types of supports. I do think given the increasing population of older people in this country, supports like this are really very important, and as I already said, the Board did approve this by a unanimous vote.

Mr. WOLF. Has the Secretary been in touch with you? I know he is making a decision now on the Metro question. Where do you come in with regard to that?

Mr. ROFFEE. We have been talking with DOT on a staff level, but we have not talked directly with the Secretary of Transportation.

Mr. WOLF. OK. Well, thank you very much. I find that very, very helpful. As I have already requested, if you have any more information with regard to philosophical differences please just submit them for the record.

Mr. CAPOZZI. Be happy to.

Mr. WOLF. I have no further questions.

Thank you very much.

QUESTIONS FOR THE RECORD

Mr. PRICE. We have a number of further questions, but I will submit them for the record.

RESEARCH PROJECTS SELECTED

Mr. PRICE. During last year's hearing, we talked to your predecessor, Ms. Heumann, about how the Access Board selects and characterizes research projects.

The Committee is pleased to see that at least partly in response to some of the concerns raised last year, the Board has modified its procedures. Will you please elaborate on the changes, and how you think they may affect your research program?

[The information follows:]

The Board has taken some important steps to improve its methods for the selection of research projects, including designating a research coordinator on staff who is responsible for identifying priorities and developing the Board's research agenda. We have also broadened public input on research needs and priorities through Federal Register notices. This month the Board will publish a notice, similar to one published in 1992, seeking comment on research projects for the following two fiscal years. The Board will continue this practice.

We have also adopted criteria for the assessment of research projects. At its January meeting, the Board adopted priority objectives for its research program that are based on its on-going ADA rulemaking activities. We are also intensifying our long-range planning and coordination activities with other organizations. The Board is currently consulting with other Federal agencies, private organizations, and research professionals involved in accessibility research in order to coordinate planning and examine methods for pooling information and resources. Through this effort, the Board hopes to develop long-term strategies that take into account research goals shared by other agencies.

These actions, particularly the research prioritization adopted by the Board, further align our research priorities with our rulemaking agenda. Through coordination with other organizations, the Board aims to further refine its long-range research goals and priorities in developing a research agenda that looks farther into the future and maximizes the benefits of such research.

QUIET AREAS IN RESTAURANTS

Mr. PRICE. One of the issues researched in prior years was quiet areas in restaurants. Battelle Laboratories was paid \$98,800 to perform this research. The project was slated for completion last September. Can you tell us the salient findings of this research?

[The information follows:]

The project yielded suggestions for acoustical considerations in the design, construction and operation of dining establishments where speech communication is integral to the enjoyment of the dining experience. The project determined that in most restaurants the background noise levels were too high and reverberation times were too long for effective communication by many hard-of-hearing persons. This conclusion was based on extensive review of the literature on speech communication by persons with hearing impairments and by conducting a variety of acoustical measurements in fourteen restaurant dining rooms. The project established upper limits for background noise and reverberation times and recommended architectural and programmatic means for maintaining sound levels within those limits. While many existing facilities provide adequate acoustical treatments for persons with normal hearing, most are likely to test outside of the parameters established by the project for persons with hearing impairments. If the recommendations are followed, it is estimated that twenty to thirty percent of the hard-of-hearing population will be able to have effective speech communications in a restaurant or cafeteria dining room.

Mr. PRICE. Do you anticipate further Board action on quiet areas in restaurants?

[The information follows:]

The project provided the Board with valuable technical assistance information to provide to restaurant and cafeteria designers and operators who wish to make their eating establishments more conducive to facilitating conversations by people with hearing impairments. While the Board does not expect to initiate rulemaking on this issue, the research findings along with certain other recent projects will be transmitted to our newly chartered ADAAG Review Advisory Committee for their consideration.

ADAAG MANUAL

Mr. PRICE. Your research plan presented this year features a project to develop a comprehensive interpretative manual on the Americans with Disabilities Act Accessibility Guidelines (ADAAG). This appears to be a new initiative not mentioned in last year's submission. What exactly will this project accomplish that is not currently being done and how did you decide to focus your energies there?

[The information follows:]

This project will produce an ADAAG manual that is clearly written for use by both technical and general audiences. Through public outreach, training and technical assistance, and the development of guidelines, we are aware of a continuing need for information that interprets and clarifies ADAAG requirements and outlines alternatives for accessible design. There are some books, design manuals, and checklists which address the methods and standards by which buildings can be built barrier-free. However, few of these resources elaborate on the standards or provide the rationale behind requirements and specifications such as those found in ADAAG or address in any depth acceptable design alternatives. Consequently, we will conduct a project to develop a comprehensive illustrated manual on ADAAG. Such a manual will prove a useful tool in understanding ADAAG whether for purposes of compliance or as a reference for accessible design.

Those using ADAAG, particularly designers and architects, have also continuously expressed the need to be apprised of revisions or additions to the guidelines. Such information, including the guidelines themselves, are published in the Federal Register to which many members of this audience may not subscribe. We will design the manual so that copies of this information can be provided upon request through

a subscription service that will automatically advise members of this vast audience on updates and revisions to ADAAG.

Mr. PRICE. What is the estimated cost and scheduled completion date of this effort?

[The information follows:]

We do not have an estimate for the cost of developing this manual since the Board's contracts are competitively bid. We expect that the project can be completed within 10 months from contract award.

RESEARCH PROGRAM REDUCTION

Mr. PRICE. For the past two years, the research program of the Board has been funded at about \$400,000. This year's budget would reduce the plan by more than half, to only \$184,000. Did the Board apply nearly all of the 1995 reduction to this area?

[The information follows:]

The Board has chosen to take most of the planned reductions in the fiscal year 1995 budget out of the research program. We believe that it is absolutely crucial to continue with the Board's core programs; the development of the ADA Accessibility Guidelines, providing technical assistance, and enforcing the Architectural Barriers Act, at the current levels.

Mr. PRICE. At that level, do you think you can conduct an adequate research program?

[The information follows:]

The fiscal year 1994 appropriation enabled the Board simultaneously to undertake research to assist us in our rulemaking activities and technical assistance projects. Half of the available budget funded research projects and the other half funded technical assistance projects. In previous years our budget required us to focus on one or the other. The budget for fiscal year 1991 was devoted to technical assistance projects while the budgets for fiscal year 1992 and 1993 focused on research for guideline development.

Funding at the fiscal year 1994 level would allow us to maintain this two-prong approach. With less funding we would be forced to choose to fund either technical assistance projects or research projects to assist in our rulemaking activities.

Mr. PRICE. At that level, what research that you would like to conduct will be delayed or eliminated?

[The information follows:]

As we indicated earlier, the fiscal year 1994 funding level allowed the Board to undertake both research to assist in our rulemaking activities and technical assistance projects. With less funding we would be forced to choose to fund either technical assistance projects or research to assist in our rulemaking activities—not both.

One of the priorities of our research program is to obtain information necessary for keeping our guidelines up to date. Some of the provisions in our guidelines are based on research that is dated or no longer representative of today's population of persons with disabilities. For example, some of the original research involved manual wheelchair users whereas today's population includes a growing number of people who use motorized mobility aids. In many cases, reassessment of some existing long-standing provisions, such as the specification for ramps is necessary. This type of study often requires human subject testing, a costly element of any kind of research. Our fiscal year 1993 study on the specifications for ramps was budgeted at over \$225,000. Future projects involving this type of human subject research, due primarily to its cost, will either be postponed or significantly scaled back. For example, in fiscal year 1994 the Board will be sponsoring a project to study the dimensional requirements for persons using various powered mobility aids. The scope and budget of this project have been greatly reduced, mainly by substituting human subject testing with computer simulation. This has reduced the project cost to about a quarter to one-fifth the cost the Board considers necessary for a project of this nature.

ADA COMPLIANCE COSTS

Mr. PRICE. In response to a question submitted for the record last year, the Access Board indicated that, based on data developed by the American Public Transit Association, the cost to comply with provisions of the Americans with Disabilities Act is Approximately \$900 million annually. Do you have other sources to confirm or rebut that estimate?

[The information follows:]

The \$900 million referred to in last year's hearing was an estimate by the American Public Transit Association of the cost to comply with the paratransit provisions of the ADA. It appears that this overestimated the cost to comply by about \$200 million annually.

According to the Department of Transportation, about 660 public, fixed-route operators submitted 540 plans to provide ADA paratransit service. Although full compliance is not required until 1995, over 116 transit authorities have indicated that they will be in full compliance by the end of 1993. DOT estimates that it will cost \$700 million annually for ADA paratransit compliance—of a total \$900 million annual ADA cost.

The \$900 million total cost to comply includes paratransit operating and capital costs, capital costs and maintenance for access equipment for buses and railcars, training, and costs to comply with the key station requirements of the ADA.

PARATRANSIT COSTS

Mr. PRICE. According to officials of the Federal Transit Administration, and based upon data submitted in the plans of grantees, annual estimated costs for transit agencies to comply with ADA will be \$932 million in 1995.

For the ten-year period ending in 2000, the total compliance costs are estimated to be \$7.344 billion, including \$5.074 billion for operating costs and \$2.27 billion in capital. The largest single element is estimated to be \$600 million annually in paratransit operating costs.

Do these estimates appear reasonable and accurate to you?

[The information follows:]

We do not have any independent way to determine if these estimates are accurate. The figures do, however, appear to be reasonable estimates of the cost to provide paratransit service. For years, disability advocacy organizations, transit authorities and DOT have argued that the costs of providing paratransit are high. In their regulatory impact analysis, DOT estimated that it would cost \$520 million per year to provide paratransit services.

Although the current estimates appear to be reasonably accurate they must be carefully reviewed to ensure that only the costs of providing trips to ADA eligible individuals are counted. The ADA envisioned a rather narrow class of people with disabilities who would be eligible for paratransit. People eligible for paratransit services include individuals who are unable, as a result of a physical or mental disability, to use an accessible vehicle; individuals who need the assistance of a wheelchair lift to ride but no accessible vehicles are available on the route the person wants to travel; and individuals with a disability who have an impairment related condition which prevents them from traveling to or from a transit stop. However, most transit systems have decided to "grandfather" in existing riders rather than remove them from the rolls. Because non-ADA eligible individuals may be included in transit authorities' cost estimates, it is difficult to determine if the \$600 million paratransit operating costs are accurate.

DETECTABLE WARNING—RAIL STATION PLATFORM EDGES

Mr. PRICE. One part of the detectable warnings debate concerns platform edges for rail systems. The Department of Transportation has proposed regulations that would require rail properties to have detectable platform edges installed by this July. Some transit oper-

ators, notably Washington's Metro, believe the platform edges are not necessary and will not improve safety.

Last fall, Congressman Wolf and Mr. Carr engaged in a colloquy during consideration of the 1994 Transportation and Related Agencies Appropriation Bill. We urged the Department and the Access Board to take another look at the proposal and try to address some of the concerns and costs raised by metro and others.

Can you tell me exactly what the Access Board did in response to this colloquy?

[The information follows:]

Following the colloquy, Board and Department of Transportation staff met with staff of this Committee to discuss the agencies' respective rulemakings. As explained earlier, the notice of proposed rulemaking published by the Board in July 1993 was issued in response to a petition for rulemaking from the International Mass Retail Association requesting the Board to study detectable warnings at entrances to retail stores and requests by individuals with disabilities to study detectable warnings on curb ramps. The Board decided to conduct additional research on detectable warnings in response to these requests and proposed to temporarily suspend detectable warning requirements for curb ramps, hazardous vehicular areas, and reflecting pools pending the research. The Board had not received any requests to further study detectable warnings on rail station platform edges when it published the notice of proposed rulemaking. As noted earlier, several transit agencies had requested the Department of Transportation to extend the deadline for retrofitting key stations with detectable warnings so that they could test available products. Furthermore, the experience of two major rail systems that have installed detectable warnings on all their station platform edges for more than five years did not indicate any tripping or safety hazards or any other adverse effects on individuals with disabilities. Thus, suspending the requirement for detectable warnings at rail station platform edges in the final rule would have been beyond the scope of the rulemaking and not supported by available information.

Board and Department of Transportation staff have also met with staff of the Washington Metropolitan Area Transit Authority (WMATA) on several occasions during the past year to discuss their concerns about detectable warnings. During the meetings, technical assistance was provided on how the flashing light system on WMATA's platform edges could be retained by applying a clear detectable warning material over the lights. A sample of clear detectable warning material was subsequently installed at a WMATA station (Union Station) to demonstrate that the flashing light system can be retained. Information was also provided on the range of costs for detectable warning materials. We understand that WMATA has received estimates from several detectable warning manufacturers which are much lower than the \$30 million cost cited by WMATA.

Mr. PRICE. One of the concerns that has been raised regarding platform edges deals with questions of toxicity and flammability. Has the Access Board addressed these issues in its work on detectable warnings?

[The information follows:]

The ADA Accessibility Guidelines specify the characteristics of detectable warnings needed to make them accessible but do not address the composition of the materials. In fact, ADAAG does not specify the composition of materials for any access feature. The Board has information from approximately twenty-five manufacturers of products designed to meet the detectable warning specifications or the alternate pattern which has been granted a finding of equivalent facilitation by the Department of Transportation. These products are composed of a wide range of materials including granite, ceramic tiles, metal plates, composite plastics and rubber. Some of these products, such as granite, metal and ceramic tile, clearly meet flame spread and by-product toxicity limits established by the National Fire Protection Association (NFPA) and the American Society of Testing and Materials.

In addition, the Metro-Dade Transit Agency evaluated the test results from one manufacturer known to have submitted a bid to WMATA and found the results to be within the limits Metro-Dade imposes on materials it specifies for interior facilities. Similarly, the metal plate product is rated as a "Class A" material according to NFPA.

DETECTABLE WARNINGS—KEY STATIONS

Mr. PRICE. The rulemaking on platform edges requires them only at "key" stations, is that accurate?

[The information follows:]

Section 228 of the Americans with Disabilities Act requires key stations in existing transit facilities to be accessible. The requirement to install detectable warnings on platform edges of key stations is based on this statutory provision.

Mr. PRICE. Do you know how many stations in New York City are considered to be "key" stations within the meaning of the regulation?

[The information follows:]

The New York City Metropolitan Transit Authority (NYMTA) was one of two rapid rail transit systems given special treatment in the ADA because of previous settlement agreements reached in lawsuits. The agreement originally specified 54 "key" stations out of a total of 468. This number is deceptive, however, because the NYMTA system is composed of the subway lines of systems which were historically separate competing systems. As a result, the NYMTA system is "dense" having stations on one line very close to stations on another, such that different stations serve the same location. Therefore, it is possible to provide a high degree of accessibility with fewer stations than in other cities. In addition, NYMTA has recently entered into discussions with disability organizations which may result in a revision of the original key station plan, possibly increasing the number of key stations to more than 100.

WMATA KEY STATIONS

Mr. PRICE. Isn't one of Washington Metro's arguments that in order for a detection system to be effective, it should be uniform?

[The information follows:]

We understand that WMATA has taken the position that detectable warnings should be installed at all station platform edges, not just at key stations as required by the Americans with Disabilities Act.

Mr. PRICE. And, that part of the reason a platform edge system would be so expensive for Metro is that if one is required, they would put it in all 86 stations, not just the 45 stations considered "key". So, in effect, doesn't this have the effect of penalizing Metro because they are trying to do the right thing and have the system be uniform?

[The information follows:]

If WMATA decides to install detectable warnings at non-key station platform edges, it would be going beyond what is required by the Americans with Disabilities Act and would not have to comply with statutory and regulatory deadlines at those non-key stations. WMATA could spread out the costs of installing detectable warnings at non-key stations over a longer period of years. In addition, the federal government pays for up to 80 percent of capital improvements at transit facilities. From a risk management analysis, the additional cost WMATA of installing detectable warnings at non-key stations may well be worth the investment. A single fatal track fall can cost more in damages and litigation costs than the additional cost of installing detectable warnings at non-key stations. By doing the "right thing," in the long run WMATA may save not only lives but millions of dollars in damage claims.

RECREATIONAL FACILITIES

Mr. PRICE. One of the planned areas the Access Board intends to investigate for possible future rulemaking is recreational facilities and outdoor developed areas. Tell us the scope, objective and schedule of this effort.

[The information follows:]

Currently the Americans with Disabilities Act Accessibility Guidelines do not include specific provisions for recreational facilities and outdoor developed areas. These guidelines will apply to newly constructed and altered recreational facilities covered by titles II and III of the ADA and the Architectural Barriers Act. The Board chartered the Recreation Access Advisory Committee to provide advice and information in this area prior to the rulemaking process. The Committee has formed six subcommittees to deal with the complex and diverse issues in this rulemaking. The six are: amusement parks, developed outdoor recreational facilities, golf, play area settings, recreational boating/fishing facilities and sports facilities.

The Advisory Committee began its meetings in July 1993. The 28 members of this committee have engaged in over 350 hours of meetings to discuss related issues. Their meetings have been held across the country with members participating at their own expense. It is anticipated that the committee will complete its work in July 1994. The Board plans to publish its proposed rule in early 1995. This should allow for a final rule in early 1996.

Mr. PRICE. Based on the work performed so far by the advisory committee, do you have any preliminary indications of the direction this effort might take?

[The information follows:]

Preliminary recommendations represent the opinions and expertise from a diverse group which includes persons with disabilities, designers, manufacturers, owners, operators, and others with substantial expertise. Some general themes of their recommendations include:

Accessibility guidelines should not promote the use of separate areas or facilities for use by persons with disabilities. The concept of "universal" design should be incorporated into the entire design process.

In the outdoor environment, the degree of access provided should be directly related to the level of man-made development. Thus, the level of access in an urban, highly developed park setting should be at the highest level while a lesser degree of access may be found in a wilderness fishing area that is accessed by an unimproved trail.

Accessibility guidelines for newly constructed recreational facilities and outdoor developed areas should provide full access. Alternatives have only been considered when unique elements and facilities preclude full access.

The nature of a recreation experience should not be substantially changed to provide access.

WATER TRANSPORTATION

Mr. PRICE. Another area of interest to the Board is accessibility of boats, docks, and other forms of water transportation. Again, please explain the scope, objective and schedule of this activity.

[The information follows:]

The Board is addressing access to docks and other marine facilities with the Recreation Access Advisory Committee. The Boating and Fishing subcommittee will be providing recommendations related to access for both fishing and marine related facilities. The subcommittee has identified tidal fluctuations as one of the most difficult issues in providing access to floating piers and docks.

We will be developing accessibility guidelines for vessels and various forms of water transportation, for example cruise ships and ferry boats, separately with the Department of Transportation. Formal rulemaking to complete the reserved sections of the guidelines for vessels is not scheduled until 1996. In the meantime, Board staff have had meetings with the Department of Transportation and the Coast Guard to discuss preliminary issues related to access to vessels.

SWIMMING POOL ACCESSIBILITY

Mr. PRICE. Yet another possible area for study is swimming pool accessibility. In the case of accessibility of swimming pools and of boats and ferries, do you envision that there would be some minimum size standards that would have to be met for applicability of any potential rule or guidance?

[The information follows:]

Access into swimming pools will be addressed by the Board as we develop guidelines for recreational facilities. Designing for access into a pool is complex given the variety of swimming pool designs and the diversity of needs of persons with disabilities. Hydraulic lifts, transfer steps, and ramps in the water are the most commonly used methods at this time. It is very likely that any future requirements for pool access would be based on the size of the pool in view of potential space and other impacts these methods of access may have. The Recreation Access Advisory Committee will be examining the different means of access, including their impacts, in developing recommendations in this area.

CHILDREN'S ENVIRONMENTS AND FEDERAL FACILITIES

Mr. PRICE. Please, give the Committee a brief synopsis of your planned endeavors on children's environments and federal facilities.

[The information follows:]

Rulemaking regarding children's environments will set accessibility guidelines for such children's environments as child care centers; pre-school, kindergarten, elementary and other school programs; and children's museums. Last spring the Board published an advance notice of proposed rulemaking (ANPRM) and received several helpful comments. Prior to the ANPRM, the Board contracted for a study entitled "Recommendations for Accessibility Standards for Children's Environments" which was prepared by the Center for Accessible at North Carolina State University. This study, combined with the comments were received on the ANPRM, will form the basis for the Board's rulemaking in this area. We anticipate issuing a proposed rule this fiscal year.

During 1994, the Board will begin to revise its accessibility guidelines for federally financed buildings and facilities covered by the Architectural Barriers Act so that the guidelines are consistent with the more comprehensive ADA Accessibility Guidelines. In 1993, the Board passed a resolution urging other Federal agencies to adopt ADAAG as their design standard in place of the current standards, the Uniform Federal Accessibility Standards, published in 1984.

We will begin revising the accessibility guidelines for new and altered federal facilities by publishing a notice of proposed rulemaking during 1995. A final rule is anticipated for 1996. The Board will work with the Department of Justice to assist the Standard setting agencies to establish a standard which is consistent with the Board's minimum guidelines.

RESEARCH—GUIDELINE DEVELOPMENT

Mr. PRICE. How might any of these proposals be adjusted by your new research selection process?

[The information follows:]

Children's environments and federal facilities as subjects of future rulemaking would be top priorities under our research selection process. However, research on children's environments has been completed and is providing the basis for the guidelines the Board will be proposing. With respect to federal facilities, at this time the Board is not aware of any major issues in this area requiring research. Certain issues concerning federal facilities may be recommended by comments to our Federal Register notice. Recommendations pertinent to this and other areas of future rulemaking, including access to water transportation, will be considered priorities in the Board's development of a research agenda for fiscal years 1995 and 1996.

Mr. PRICE. What impact do you see the reduced research program having on your ability to carry out the projects just discussed?

[The information follows:]

A reduction in our research program will not likely affect our work on children's environments of federal facilities for the reasons noted above. However, the subjects of other future rulemaking, such as access to water transportation and into swimming pools, will be affected since research in these areas is necessary for proceeding with the development of guidelines. Information that identifies and assesses the alternatives for access in these areas, including the feasibility and impact, is necessary in laying the groundwork for future guidelines. Research projects in these

and any other areas may have to be reduced in scope or postponed due to budget reductions, thus limiting the information necessary for rulemaking.

OVER-THE-ROAD BUSES

Mr. PRICE. What is the status of your work and any potential rulemakings concerning over-the-road buses?

[The information follows:]

The Americans with Disabilities Act provides for rulemaking to establish accessibility requirements for over-the-road buses (OTRBs) operated by private entities to be conducted in two stages: interim requirements and final requirements. The interim requirements were established on September 6, 1991 and do not require any structural changes to OTRBs. On that date, the Board issued accessibility guidelines for OTRBs that address such features as floor surfaces, lighting, and handrails and stanchions. On the same date, the Department of transportation adopted these guidelines as standards and also issued interim requirements for providing boarding assistance and accommodating people who use wheelchairs and other mobility aids.

Congress directed the Office of Technology Assessment to study various issues related to OTRB accessibility and to issue a report which would provide a basis for establishing the final requirements. The Office of Technology Assessment published its study on May 16, 1993. Congress called for the Board and the Department of Transportation to issue regulations one year after the date of the study and further provided that the regulations become effective July 26, 1996, with an additional year for small transportation providers.

The Board has prepared accessibility guidelines for lifts, ramps, wheelchair securement devices, and accessible restrooms for OTRBs and approved a notice of proposed rulemaking for the guidelines on November 10, 1993. The Department of Transportation is responsible for developing regulations that address when private entities must acquire vehicles meeting these guidelines. The Department of Transportation published an advance notice of proposed rulemaking on October 12, 1993 which summarized the major issues to be addressed in its regulations and sought public input on these issues. To encourage public participation, the Board and the Department of Transportation also held a workshop on October 21 and 22, 1993, to bring together OTRB operators, manufacturers, and the disability community to discuss OTRB accessibility. The Department of Transportation is currently preparing a notice of proposed rulemaking for its regulations. The Board plans to publish its proposed guidelines at the same time as the Department of Transportation publishes its proposed regulations. We anticipate that this will occur in the spring of 1994 and that final regulations will be issued in the summer of 1994.

AIR CARRIER ACCESS

Mr. PRICE. There was a well publicized incident last year when the executive director of the President's Committee on Employment of People with Disabilities had to drag himself on and off a commuter airplane while airline employees watched without lending any assistance.

The individual, who has multiple sclerosis, was told by airline personnel first that because he required a wheelchair, he could not board at all. They later told him that he could board if he required no assistance.

Ms. Heumann, are you or a member of the staff familiar with this incident?

[The information follows:]

We are very familiar with this incident. On August 6, 1993, Board staff briefed the subcommittee staff on the incident.

Mr. PRICE. What is the policy the airlines are supposed to follow? Was there any violation in this instance?

[The information follows:]

The Air Carrier Access Act regulations generally require that boarding an aircraft is to be by level entry boarding platforms where they are available. Where level boarding devices are not available, carriers are required to use ramps, mechanical

lifts, or other devices not normally used for freight for enplaning and deplaning passengers with disabilities. The regulations provide that "in the event that physical limitations of an aircraft with less than 30 passenger seats precludes the use of existing models of lifts, boarding chairs or other feasible devices to enplane a handicapped person, carrier personnel are not required to carry the handicapped person onto the aircraft by hand". 14 CFR 382.39(a)(4).

It is our understanding that the airplane Mr. Douglas was trying to board was a 19 seat commuter airplane. Although this was an unfortunate incident, from the facts as we understand them, there was no violation of the regulations.

Mr. PRICE. Are you satisfied with the leadership of the Department of Transportation and the Federal Aviation Administration on the issue of accessibility of airplanes, and especially smaller commuter airplanes, for disabled persons?

[The information follows:]

We believe the leadership of the Department of Transportation and the Federal Aviation Administration has acted professionally and responsibly on this complex and sensitive issue.

Mr. PRICE. What is the status of the notice of proposed rule-making on this matter? Is true that the notice would allow the airports and the airlines three years to implement fully and further allows them to work out the details.

[The information follows:]

The Department of Transportation has not yet issued final regulations. The notice of proposed rulemaking was issued on September 10, 1993 and the comment period closed January 7, 1994. The proposed regulations contain a number of requirements for providing access to smaller planes through lifting devices. The proposed regulations state that air carriers have 9 months to sign a written agreement with airport operators concerning the purchase and maintenance of equipment and all parties have 3 years to implement the agreement. The Board submitted comments on this notice and pointed out several problems with the proposed regulations. First, we recommended that language be added that this should be done "as soon as is practicable". This would assure that all parties do not wait until the last minute to comply. Also, because we believe the technology currently exists, we recommended that air carriers have 6 months to sign and 2 years to implement these agreements.

Mr. PRICE. If that is the case, where is the enforcement if the airports and airlines do not reach complete agreement?

[The information follows:]

A passenger with a disability who is not provided access to an airline can file a complaint against the airline under the Air Carrier Access Act and against an airport under Section 504 of the Rehabilitation Act and the Department of Transportation's implementing regulations. Contractual agreements between airlines and airports can be enforced through general contract principles.

Mr. PRICE. Is the crux of the matter the cost to comply? Does it boil down to who is going to buy, maintain, and have liability insurance for operating lifts?

[The information follows:]

It is largely a question of cost. Airlines argue that airport operations have obligations to provide access under section 504 of the Rehabilitation Act of 1973 and can take advantage of federal funding through the Airport Improvement Program. Airport operators argue that airlines have an obligation under the Air Carrier Access Act to ensure that access is provided. Our information is that lifting devices on the market cost between \$8,000 and \$34,000.

Airlines and airport operators have long struggled with allocating responsibility and costs in a variety of areas that passengers must depend on. This obligation to provide access to small commuter airlines is another example of this struggle.

Mr. PRICE. Is there a minimum size airplane for which an airline would not have to comply with the procedures?

[The information follows:]

As we indicated earlier, the Air Carrier Access Act regulations do not require carrier personnel to carry an handicapped person onto an aircraft by hand where the physical limitations or an aircraft with less than 30 passenger seats preclude the use of existing models of lifts, boarding chairs or other devices to enplane a passenger with a disability.

Mr. PRICE. Does the Access Board have any role in this matter?
[The information follows:]

Although the Board does not have rulemaking authority over airlines, the Civil Aeronautics Board Sunset Act of 1982 requires the Department of Transportation to consult with the Board regarding airline access issues.

PERSONNEL COSTS

Mr. PRICE. Although the Access Board's overall budget in 1995 is below the 1993 amount, personnel costs continue to rise and consume a greater percentage of total resources.

In 1993, personnel compensation and benefits composed 59.7 percent of the board's total budget. The percentage increases to 64.9 percent in 1994 and to 67.7 percent in the 1995 proposal. This exacerbates the decline in other areas. Have you studied the situation to determine if you might get more benefit by relying less on your own personnel and more on contract assistance?

[The information follows:]

A significant portion of the Access Board's work involves highly technical and specialized skills in the areas of accessible design for both buildings and facilities and transit systems. Based on the variety of tasks carried out by the Board's staff, we find it more cost-effective to use inhouse personnel to carry out our mission responsibilities. The Board does contract for administrative support services offered by the Department of Education and the General Services Administration to minimize our personnel costs in the areas of contracting, procurement, finance and personnel.

CONTRACTS

Mr. PRICE. The pressures placed on your budget by the twin forces of increasing personnel costs and decreasing total resources is demonstrated most notably by the decline in contracts. In 1993, contracts for research, technical assistance and administration totaled \$614,000. They decline to \$542,000 in 1994 and further to \$347,000 in the 1995 proposal.

Can you get the job done with these resources?

[The information follows:]

The line item referred to in the question is a combination of the amounts we have planned for our research program and our contracts for administrative support. The impact of the decline in resources that effects our research program has been addressed in previous questions. The remaining funds in the line items are slated for administrative service contracts with the Department of Education and the General Service Administration. We believe we will be able to continue to accomplish the Board's mission at these reduced levels. In compliance with President Clinton's requirement to reduce administrative expenses, every effort has been made to make significant reductions in these areas.

SALARY COSTS

Mr. PRICE. Last year the 1994 budget showed \$167,400 for other than full-time permanent employees and nothing for temporary full time employees. This year, the 1994 program reveals \$237,000 for other than full-time permanent and \$86,000 for temporary full time employees.

What accounts for the change? Doesn't it represent a greater cost for the same number of full-time equivalent employees?

[The information follows:]

The fiscal year 1994 budget estimate you refer to in the first part of the question reflects staffing assumptions that were made over two years ago. As we continued to staff up in fiscal year 1993, we filled two full time equivalent positions using temporary appointment authority. Thus, funds were shifted from the "full-time permanent" category to the "other than full-time permanent" category. The personnel cost increases also reflect the impact of the locality pay adjustments as well as the regular within-grade salary increases. The use of temporary personnel actually saves the government money as we do not pay health insurance and other benefits.

EMPLOYEE AWARDS

Mr. PRICE. Employee awards have increased steadily from \$27,000 in 1993 to \$30,000 in 1994 to \$35,000 proposed in 1995. At that amount, they equate to approximately \$1,000 per employee. If the Department of Transportation awarded employees at the same rate, it would cost approximately \$100 million per year.

Especially given your extremely tight budget situation, is this one area where some savings might be realized?

[The information follows:]

The amount we propose to allocate for employee awards represents approximately two percent of staff salaries, which is consistent with our previous spending in this area. As we continue to implement our total quality program, we believe we will be able to reduce our cash awards.

PRINTING—PUBLICATIONS

Mr. PRICE. Why does the Access Board print, publish and mail many of its documents at no charge to the customer? Isn't this an area where possible dollar savings could be realized?

[The information follows:]

One of the major purposes of the Access Board is to provide information on accessible design to the public. We believe it is our mandate to provide as much free information as possible. In previous years, the Board provided up to five copies of any of our publications free of charge. We recently changed that policy, and will now only provide one copy free of charge. Beginning in fiscal year 1993, we began to sell bulk copies of our large publications and were able to recoup about \$10,000 of our printing expense. The Board, like other federal agencies, is limited by OMB Circular A-130 to only recouping its costs on the "information" it sells to the public. With this limitation it is not cost effective for us to charge for small numbers of our brochures and other small publications. The administrative cost of collecting and processing small fees outweighs the benefits. As we have noted in previous questions, we are investigating a subscription service for our planned ADAAG manual.

PUBLICATIONS—DISTRIBUTION

Mr. PRICE. Why does the Access Board not utilize the General Services Administration's Consumer Information Center to print and disseminate its documents? Have you analyzed the benefits and costs of this approach?

[The information follows:]

The Board has used the services of the National Technical Information Service for a number of years to print and distribute our technical publications. We were unaware of the services offered by the General Services Administration's Consumer Information Center, and will investigate the operation to see if it can benefit the Board.

TRAVEL EXPENSES PAID

Mr. PRICE. For the record, please update the information appearing on pages 283 and 284 of the 1994 hearing volume.
[The information follows:]

The following organizations have paid the Access Board's travel expenses:

Fiscal Year 1993

ADA Dallas	Dallas, TX
PA Governor's Committee for Persons with Disabilities	Williamsport, PA
National Association of Counties	Huntsville, MD
Transportation Research Board	Tampa, FL
MD Department of Housing and Community Development	Crownsville, MD
MN Public Transit Association	St. Cloud, MN
San Diego SAFE	San Diego, CA
LA County Transportation Commission	Los Angeles, CA
Tradeline, Inc.	La Jolla, CA
American Society of Testing and Materials	Philadelphia, PA
Board of Trade	Hollywood, FL
Mayer, Brown and Platt	Chicago, IL
Trophy Dealers and Manufacturers Association	Las Vegas, NV
Parsons De Leuw, Inc.	Chicago, IL
National Forum on Golf and ADA	Myrtle Beach, SC
Washington University	St. Louis, MO
MD Parks and Recreation Association	Ocean City, MD
American Public Transit Association	Montreal, Canada
National Association of Governor's Committees on People with Disabilities	St. Louis, MO
US Olympic Committee	Colorado Springs, CO
Eastern Paralyzed Veterans Association	Fishkill, NY
Persons United for Self Help	Toronto, Canada
NASA Space Camp	Huntsville, AL
American Standard	Piscataway, NJ
National Forum on Accessible Golf	Littleton, CO
AIA/Florida	Lakeland, FL
American Society of Interior Designers	Orlando, FL
Government of Japan	Kobe, Japan
Access to the Skies	Tampa, FL
CA Marine Parks and Harbors Association	Redondo Beach, CA
American Society of Landscape Architects	Buffalo, NY
Association of ADA Coordinators	Los Angeles, CA

Fiscal Year 1994

American Public Transit Association	New Orleans, LA
Governor's Committee on Persons with Disabilities	Newark, DE
National Recreation and Park Association Congress	San Jose, CA
Alaska Council for Education Facility	
Planners International	Anchorage, AK
National Council on Disability Quarterly Meeting	San Diego, CA
ADA Pacific Conference	Honolulu, HI
International Golf Course Conference	Dallas, TX
GE Modular Buildings Institute	St. Petersburg, FL
Association of ADA Coordinators	Oakland, CA

COMPLAINTS

Mr. PRICE. For the record, please update the information appearing on pages 291 and 293 of the 1994 hearing volume.

OPEN COMPLAINTS, BY STATE, AS OF MARCH 10, 1994

Alabama	0	Nebraska	0
Alaska	3	Nevada	0
Arizona	1	New Hampshire	0
Arkansas	0	New Jersey	10
California	9	New Mexico	1
Colorado	2	New York	7
Connecticut	4	North Carolina	0
Delaware	0	North Dakota	0
Dist. of Columbia	7	Ohio	7
Florida	7	Oklahoma	0
Georgia	1	Oregon	2
Hawaii	1	Pennsylvania	4
Idaho	0	Puerto Rico	1
Illinois	3	Rhode Island	0
Indiana	3	South Carolina	1
Iowa	0	South Dakota	0
Kansas	5	Tennessee	2
Kentucky	1	Texas	2
Louisiana	1	Utah	0
Maine	0	Vermont	1
Maryland	2	Virgin Islands	1
Massachusetts	1	Virginia	3
Michigan	2	Washington	0
Minnesota	1	West Virginia	0
Mississippi	1	Wisconsin	0
Missouri	5	Wyoming	1
Montana	1		
TOTAL			104

STATUS OF COMPLAINTS BY FISCAL YEAR RECEIVED
(FY 1977 - FY 1993)

REPORT DATE: September 30, 1993

FY	COMPLAINTS RECEIVED		UNDER INVESTIGATION	MONITORING CORRECTIVE ACTION	INTENT TO CLOSE LETTER SENT	COMPLAINTS CLOSED				TOTAL CLOSED BY FY	
	TOTAL	% CHANGE FROM PREVIOUS FY				TOTAL	% TOTAL RECEIVED	CLOSED FOR:			
								CORRECTIVE ACTION	NO JURISDICTION		NO VIOLATION
1977	100		0	0	0	100	100.0%	50	44	6	49
1978	155	55.0%	0	0	0	155	100.0%	60	83	12	141
1979	176	13.5%	0	0	0	176	100.0%	92	78	6	175
1980	160	-9.1%	0	0	0	160	100.0%	63	86	11	137
1981	106	-33.8%	0	0	0	106	100.0%	39	62	5	96
1982	119	12.3%	0	0	0	119	100.0%	58	52	9	73
1983	129	8.4%	0	0	0	129	100.0%	60	55	14	123
1984	233	80.6%	0	0	0	233	100.0%	88	135	10	96
1985	249	6.9%	0	0	0	249	100.0%	84	148	17	236
1986	91	-63.5%	0	1	0	90	98.9%	35	49	6	101
1987	217	138.5%	1	0	1	215	99.1%	110	86	19	102
1988	200	-7.8%	0	2	0	198	99.0%	63	112	22	266
1989	176	-12.0%	1	5	2	168	95.5%	68	92	8	317
1990	204	15.9%	1	14	0	189	92.6%	84	94	11	210
1991	153	-25.0%	7	4	0	142	92.8%	53	76	13	200
1992	145	-5.2%	16	13	2	114	78.6%	61	46	7	153
1993	101	-30.3%	29	8	5	59	58.4%	23	31	5	127
TOTAL	2714		55	47	10	2602	95.9%	1091 (41.9%)	1329 (51.1%)	181 (7.0%)	

WMATA NEW RAISED EDGE SYSTEMS

Mr. DELAY. The Washington Post reports that visually impaired organizations are split on the benefits of the new raised edge systems. Some feel that the existing system is adequate and others feel that the new raised, bright colored system is necessary and would be a benefit. The decision will cost WMATA millions.

If safety and access is the goal of the Board, shouldn't we have a consensus on the type of system we will ultimately demand METRO to install?

[The information follows:]

The transit agencies generally agree that the four foot drop off at rail station platform edges is a safety hazard and that there is a need to warn all passengers of this hazard. Transit agencies have used such warning systems as painted strips, flashing lights, and materials of contrasting color to keep passengers away from platform edges. The Americans with Disabilities Act requires that these warning systems be accessible to individuals with disabilities, including blind and visually impaired persons. The raised truncated dome design required by the ADA Accessibility Guidelines provides a textured surface that has been demonstrated through research and actual usage in transit environments to be readily detectable by cane and under foot by blind and visually impaired persons and not to adversely affect other passengers. According to the Federal Transit Administration, over 300 of the total 708 key stations designated by transit agencies are currently in full compliance with the ADA Accessibility Guidelines, including detectable warnings. To our knowledge, WMATA is the only transit agency that opposes detectable warnings. However, WMATA has not provided any documentation that its platform edge warning system, which is a flat surface, is equally detectable by cane and under foot by blind and visually impaired persons.

Mr. DELAY. If there are organizations that represent visually impaired transit riders that feel that this expense is unnecessary and will not produce any significant impact on safety and access, shouldn't we hold off on the deadline of this decision?

[The information follows:]

The Department of Transportation published a notice of proposed rulemaking in November 1992 to extend the deadline for retrofitting key stations with detectable warnings from July 26, 1993 to January 26, 1995 in order to give transit agencies additional time to test available products. The Department of Transportation received a substantial number of comments opposed to the extension. Many of the commenters were blind and visually impaired persons who mentioned numerous cases of individuals falling off platforms in various rail systems. During the rulemaking, there were also four reported incidents of blind persons falling off rapid rail station platforms in Boston, New York, and Baltimore, and a commuter rail station platform in Maryland. Three of these accidents were fatal. According to the Department of Transportation, there were no comments from any blind or visually impaired persons or organizations representing them that were opposed to detectable warnings on rail station platform edges. Based on the rulemaking record, the Department of Transportation issued a final rule in November 1993 reaffirming the safety need for detectable warnings on rail station platform edges and shortening the extension to July 26, 1994.

CLOSING REMARKS

Mr. PRICE. This has been very helpful today. We appreciate your being here and your straightforward answers. We look forward to working with you as we shape this budget request.

Ms. HEUMANN. Thank you very much.

Mr. PRICE. The subcommittee is adjourned.

[The justification follows:]

Offset Folios 1707 to 1721 Insert here



**United States
Architectural and Transportation Barriers Compliance Board**

1331 F Street, NW • Washington, DC 20004-1111 • 202-272-5434 (Voice) • 202-272-5449 (TDD) • 202-272-5447 (FAX)

U.S. Architectural and Transportation Barriers Compliance Board

The Access Board

Fiscal Year 1995 Budget Request

March 1, 1994

The Access Board

FISCAL YEAR 1995 BUDGET REQUEST

This document presents the budget request of the Architectural and Transportation Barriers Compliance Board (Access Board) for fiscal year 1995. In accordance with the President's budget priorities, which the Board strongly supports, we are requesting a total of \$3.244 million for fiscal year 1995. This level of funding would allow the Board to continue its basic programs at the current level in support of implementation of the Americans with Disabilities Act (ADA) and enforcement of the Architectural Barriers Act. The Board is planning to fund its research program at \$184,000.

Since July 1990, when the ADA was signed into law, the Board's priorities have been, and in fiscal year 1995 will continue to be:

- o Developing the ADA Accessibility Guidelines (ADAAG);
- o Providing Technical Assistance and Training on ADAAG;
- o Conducting research to support ADAAG; and
- o Enforcing the Architectural Barriers Act.

Beginning in fiscal year 1994, the Board initiated two additional programs in support of its priorities. A Public Communications Program has been created to coordinate and focus all of the Board's communications to its various customers to increase awareness of the Board's services to its customers. Additionally, the Board has embarked on a quality improvement program. By focusing on our customers and improving the quality of our services, we believe we can ultimately reduce our program and administrative costs.

Developing the ADA Accessibility Guidelines

In fiscal year 1995, the Board plans to conduct the following rulemaking to continue the development of ADAAG. (See Attachment A for a history of the Board's ADAAG rulemaking.)

ADAAG for Recreation Facilities and Outdoor Developed Areas

This rulemaking will establish accessibility guidelines for amusement parks; indoor and outdoor sports facilities; zoos and botanical gardens; playgrounds and related equipment; pools and other aquatic facilities; and parks, trails, and other outdoor developed areas. An advisory committee composed of representatives of disability organizations; the recreation industry; and Federal, State and local governments was established in July 1993 to advise the Board on issues related to making these facilities and areas readily accessible to and useable by individuals with disabilities. The advisory committee is expected to present a report to the Board in July 1994. The Board plans to publish a notice of proposed rulemaking in fiscal year 1995 with recommended guidelines based on the report.

ADAAG for Children's Environments

This rulemaking will establish accessibility guidelines for day care centers; nursery, pre-school, kindergarten, elementary and other school programs; children's museums; and other children's environments. The Board published an Advance Notice of Proposed Rulemaking on

February 3, 1993, and the public comment period ended on June 1, 1993. A notice of proposed rulemaking will be published during fiscal year 1994. In fiscal year 1995, the Board plans to analyze the public comments and publish final guidelines.

ADAAG for Water Transportation

This rulemaking will establish accessibility guidelines for various forms of water transportation, including passenger ships, ferries, and docks. During fiscal year 1995, the Board plans to convene, in cooperation with the Department of Transportation, an Advisory Committee to provide the Board with a set of recommendations for accessibility guidelines. The Committee will be composed of representatives of the industry, organizations representing people with disabilities, and Federal agencies. We anticipate the Water Transportation Advisory Committee will meet during fiscal year 1995 and present a report to the Board during fiscal year 1996.

ADAAG For Federal Use

During fiscal year 1994, the Board will begin revising its accessibility guidelines for federally financed facilities covered by the Architectural Barriers Act to be consistent with ADAAG. ADAAG is more complete and, in many instances, mandates a higher degree of accessibility than do the current Uniform Federal Accessibility Standards (UFAS), which have been the applicable standards for the Architectural Barriers Act since 1984. The Federal Government should be held to the same high accessibility requirements that are now imposed on public accommodations and State and local governments under the ADA. On January 13, 1993, the Board passed a resolution urging other Federal agencies to adopt ADAAG as their design standard. The General Services Administration, the Department of Interior, and the Department of Defense have announced that they will use ADAAG for alterations and new construction. The Department of Justice has asked Federal agencies with regulations under Section 504 of the Rehabilitation Act, which prohibits discrimination on the basis of disability in federally assisted and federally conducted programs, to adopt ADAAG for compliance under that statute.

Under section 502 of the Rehabilitation Act of 1973, the Board is responsible for establishing minimum accessibility guidelines for the Architectural Barriers Act. The Board plans to adopt ADAAG with special provisions as appropriate for Federal buildings (e.g., post offices, military facilities). The General Services Administration, Department of Defense, Department of Housing and Urban Development, and the United States Postal Service are responsible for issuing accessibility standards under the Architectural Barriers Act which must be consistent with the Board's guidelines. The Board anticipates that it will publish a notice of proposed rulemaking on the Federal ADAAG in fiscal year 1995.

ADAAG Review

In fiscal year 1994, the Board will convene an advisory committee to coordinate ADAAG and the accessibility standards published by the American National Standards Institute, the ANSI A117.1-1992 standards. The ANSI standards for accessibility are incorporated into the model building codes; and hence are the building code standards used by most State and local governments for new construction and alterations which are covered under the ADA. By coordinating ADAAG and ANSI standards, implementation of the accessibility requirements in the ADA for alterations and new construction will be much more effective. The advisory committee

will consist of representatives from the model code organizations, building code officials, architects, building owners and managers, and organizations representing people with disabilities. We anticipate that the committee will submit a report to the Board during fiscal year 1995 recommending revisions to ADAAG, and that the Board will publish a notice of proposed rulemaking in fiscal year 1996.

COSTS OF GUIDELINE DEVELOPMENT

The projected costs of the Board's planned rulemaking activities for fiscal year 1995 are set forth in the following table. The projections include six regular Board meetings and three additional work group meetings. The work group of public members and Federal members meet as necessary between regular Board meetings to review and comment on the text and preamble of guidelines drafted by staff. The projections also include printing two notices of proposed rulemaking in the Federal Register at a cost of \$125.00 per column; funding three regulatory analyses at approximately \$20,000 each; printing the final guidelines for children's environments in the Federal Register; reprinting copies of the NPRMs and final guidelines for a total of \$40,000; and funding three advisory committee meetings. The Board requires approximately \$469,900 to fund its proposed rulemaking agenda for ADA Guideline development in fiscal year 1995.

FISCAL YEAR 1995 PROJECTED RULEMAKING COSTS			
Expense	Cost Each	Number	Total
Board Meeting	\$32,400	6	\$194,400
Work Group	\$20,000	3	\$60,000
Federal Register - NPRM	\$34,500	2	\$69,000
Regulatory Analysis	\$20,000	3	\$60,000
Federal Register - Final	\$34,500	1	\$34,500
Reprints - NPRM	\$10,000	2	\$20,000
Reprints - Final	\$20,000	1	\$20,000
Advisory Committee	\$4,000	3	\$12,000
TOTAL			\$469,900

Technical Assistance and Training

Several studies have documented that the lack of information about the ADA's requirements has inhibited implementation of the Act.¹ The Board's Technical Assistance and Training Program has become a very important part of the Government's overall effort to inform the public about the ADA. The Board has concentrated its efforts on architects, the design and construction industry, designers of public transit systems and facilities, and State and local government officials.

In previous years, the Board has prepared a series of technical manuals, technical bulletins, videos, and an ADAAG Checklist. Additionally, as the following table shows, as of the first quarter of fiscal year 1994, the Board has responded to over 58,000 technical assistance telephone calls, mailed out over 39,000 packets of information, and has provided 206 training sessions. Additionally, we have distributed 18,000 copies of ADAAG in fiscal year 1993, and 2,900 copies to date in fiscal year 1994.

TECHNICAL ASSISTANCE AND TRAINING						
	FY 91	FY 92	FY 93	FY 94 To Date	FY 94 Estimated	FY 95 Estimated
Telephone Calls	16,000	19,000	18,000	5,100	20,000	22,000
Information Packets	9,600	10,500	14,500	4,800	14,000	15,000
Training Sessions	55	62	68	21	80	90

The Board expects the demand for technical assistance and training to increase in fiscal years 1994 and 1995. In fiscal year 1994, the Board plans to publish four new sections for ADAAG containing additional scoping provisions and technical specifications for State and local governments covering judicial, legislative and regulatory facilities; detention and correction facilities; residential housing; and public rights-of-way. Many of the provisions in these sections, particularly public rights-of-way, present completely new accessibility concepts. We anticipate a very high demand for technical assistance and training on these new guidelines. From our experience, we expect to respond to approximately 22,000 telephone calls, send out approximately 15,000 information packets, and provide about 90 training sessions in fiscal year 1995. We will also develop additional technical bulletins, training materials, and are preparing a technical assistance manual covering public rights-of-ways.

¹ United States General Accounting Office, "Americans with Disabilities Act, Initial Accessibility, Good But Important Barriers Remain," GAO/PEMP-93-16, (May 19, 1993). National Council on Disability, "A Report to the President and Congress On Progress Implementing the Americans with Disabilities Act," (April 5, 1993).

COSTS OF TRAINING AND TECHNICAL ASSISTANCE

Providing technical assistance and training is very staff intensive. In fiscal year 1995, the Board is planning on its current FTE of 36 which will allow us to fully staff the Office of Technical and Information Services at a FTE of 15. The technical bulletins and most manuals are developed in-house. A printing budget of about \$144,000 is sufficient to supply copies of Board publications (including printing in the Federal Register). We are planning a staff travel budget of \$21,000 most of which will be used to provide unreimbursed training at the fiscal 1993 level, travel to advisory committee meetings, and travel to out of town Board meetings. The Board plans to make extensive use of its authority to charge for its training expenses. We have been successful in obtaining reimbursement in about 50% of the sessions.

The Board has also used its authority to sell its publications. We have followed the instructions in OMB Circular A-130 and only have sold publications for our direct costs. Furthermore, we have only sold bulk copies of our larger publications. For example, we have sold 4640 copies of our 300 page ADAAG Checklist to the Building Owners and Managers Association for \$11,600.00, or about \$2.50 each copy. As one of the Board's main missions is to provide information on accessibility, we do not charge for the 55,000 to 60,000 single copies of our publications we distribute each year. The amounts for printing and postage we have proposed for fiscal year 1995 will allow us to continue this vital part of our technical assistance program.

Research

As recommended by this committee, the Board has revised its process to select research projects. The Board now selects projects for each fiscal year based on several considerations, including public comment in response to rulemaking, the need for technical information for future rulemaking, and our technical assistance program needs.

Our research plan reflects the priority given the Board's ADA rulemaking responsibility and focuses on research related to the guidelines, the development of materials that clarify the guidelines, and other projects related to the issuance of guidelines, such as regulatory analyses. We have aimed to maintain a balance between research needs and the provision of technical assistance and training.

In fiscal year 1991, the Board focused on developing interpretative and training materials on the ADAAG, including a video on the guidelines for buildings and facilities and a training program on the guidelines for transit facilities and vehicles. The fiscal year 1992 plan focused on research of accessibility issues raised during the development of the guidelines and included projects on automated doors, access in assembly areas, communication access in transit facilities for persons who have hearing or visual impairments, and quiet areas in restaurants. The fiscal year 1993 plan included two significant research projects that evaluated critical areas addressed by our guidelines: ramps and detectable warnings.

The fiscal year 1994 research plan features a project to develop a comprehensive interpretative manual on ADAAG. From the ADA training and technical assistance we provide, it is clear that a strong continuing need exists for information that clarifies requirements in the guidelines. In addition, our customers, particularly designers and architects, have expressed the

need to remain apprised of any future revisions and additions to ADAAG. We plan to address this issue by also developing a method, such as a subscription service, by which updates to ADAAG and a manual can be provided systematically to our customers. Such a manual and distribution for updates will be a valuable tool for the users of ADAAG, including architects, designers, facility operators, and those providing technical guidance on accessibility and the ADA.

The FY 1994 plan also includes a project to assess the access requirements for persons who use power wheelchairs or three-wheeled scooters. In addition, the detectable warnings project currently underway may include a second phase of research that will be funded this year.

With respect to FY 1995 and FY 1996, the Board plans to seek comment from the public on research priorities through a notice in the Federal Register. This notice will outline certain criteria to be followed in assessing research priorities. In particular, the Board intends to focus on research of areas or issues not currently addressed by the guidelines. These include such areas as swimming pool access and making boats, ferries and other sailing vessels accessible.

FY 1994 TECHNICAL ASSISTANCE AND RESEARCH PLAN

- o **Public Rights-of-Way.** This project will develop a manual to clarify new ADAAG requirements for public rights-of-way. This is an area the Board recently addressed in the guidelines finalized for public facilities subject to title II of the ADA. This project has been adopted since public rights-of-way is an area not specifically addressed by previous access standards and involves many complex issues. This information will be incorporated into a full ADAAG manual.
- o **Detectable Warnings (Phase II).** The first phase of this project, which is currently underway, is to determine the need for detectable warnings. Based on these results, a second phase may be undertaken that will study and make recommendations on the scoping and technical requirements for detectable warnings. Due to the various issues involved, the human subject test sample will involve persons who are blind or have low vision, including those who use canes and those who do not, as well as persons with mobility impairments for whom detectable warnings may be a barrier.
- o **Clear Floor Space, Maneuvering Clearances, and Reach Range Requirements for Individuals Using Power Wheelchairs and Three-Wheeled Scooters.** Currently, ADAAG specifications are based on research and data on the human dimensions of persons who use manual wheelchairs. The growing use of powered mobility aids merits evaluation of some of these specifications to determine whether they are sufficient for the current and future population of persons with disabilities. This project will include a review of previous research and a product survey that identifies the range of mobility aids on the market and details their specifications. Additional funding, if the second phase of the Detectable Warnings project is not necessary, may enable human subject testing to be undertaken or enhance computer simulation in the determination of the access requirements for persons who use powered mobility aids.
- o **ADAAG Manual.** This project will develop a technical assistance manual on ADAAG. As currently budgeted, the manual will cover ADAAG as it currently exists but will not include guidance material on new sections on public sector facilities that will be added to ADAAG this year. Further, development of a system for distribution of updates (e.g., a subscription service)

and other production features (e.g., alternative formatting, computer technologies for distribution) are not included. Additional funding (if available from the detectable warnings project) or FY 1995 funds will be used to cover these other features

FY 1995 & 1996 RESEARCH RECOMMENDATIONS

The Board will publish a Federal Register notice seeking recommendations on research priorities for FY 1995 and FY 1996, including projects under consideration which are listed below.

- **Swimming Pool Accessibility.** Review and analysis of methods and products for providing access into swimming pools in order to develop recommendations on requirements for such access.
- **Boat and Ferry Accessibility.** A project to gather information on classification/ categorization of sailing vessels; identify and evaluate design and other constraints to boat and ferry access, including Coast Guard requirements for vessels and environmental factors; gather and evaluate information on accessible features for boats, ferries, and docks in order to develop technical specifications for boarding and securement devices.
- **Emergency Evacuation and Communication.** Identify and evaluate methods of evacuating persons with mobility impairments from multi-story facilities, including assistive devices and products, for the development of technical assistance literature. The project will also study and make recommendations on emergency signage and communication for persons with visual impairments and persons with hearing impairments.
- **ADAAG Manual.** Development and distribution of materials on additions and revisions to ADAAG. It is anticipated that updates to the ADAAG manual will be a continuous responsibility.

COSTS OF RESEARCH

In fiscal years 1993 and 1994 the Board budgeted \$400,000 and \$390,000 respectively for research. As noted, the Board is planning to fund its fiscal year 1995 research program at \$184,000. Funding at this level will allow the Board to contract for the three regulatory impact analyses necessary to continue our ADA Accessibility Guideline development schedule. It will also allow the Board to fund one additional project.

Architectural Barriers Act Enforcement

As the table below illustrates, the number of complaints the Board has investigated under the Architectural Barriers Act has been declining. We expect the number of Architectural Barriers Act complaints to level out in fiscal years 1994 and 1995 to somewhere between 90 and 100. However, we direct a steady flow of written complaints concerning facilities not covered by the Barriers Act but potentially covered under other accessibility laws including the ADA. For example, we received 47 such complaints in fiscal year 1993 and 22 so far this fiscal year. Because our compliance regulations require that we keep complainant identity confidential, we do not refer these complaints directly to another agency. We do, however, provide the complainants with information on the appropriate agency/agencies to contact to pursue their

concerns. The Architectural Barriers Act has been in effect for 26 years, and the Board has had the enforcement responsibilities for 21 years. It appears, the message of accessibility is being heard, and those entities constructing building and facilities with Federal funds are making them accessible. With the heightened awareness of accessibility brought about by the passage of the ADA, we find that entities seem much more willing to take corrective action to remove barriers to accessibility. The Board plans to keep the same resources allocated to the Compliance and Enforcement program as it has in the past to ensure quick and efficient processing of cases.

ARCHITECTURAL BARRIERS ACT ENFORCEMENT					
Number of New Cases Received					
FY 91	FY 92	FY 93	FY 94 To Date	FY 94 Estimated	FY 95 Estimated
153	145	101	22	100	100

Quality Improvement

The Board is planning to implement a total quality program. We believe such a program is necessary for the Agency. We keep statistics, for example, on the number of phone calls we receive, the number of training courses we provide, and the number of cases we resolve. However, we do not have any measure of the quality of our services. The Board seems to be a prime agency to implement a quality program. Our size allows us to be less bureaucratic, we are organizationally flat, and we have easily identifiable services and customers. The Board has made a strong commitment to quality and to a customer focus. Beginning in October 1992, we have sent all unit directors and the administrative officer to total quality management training. During the summer of 1993, we have visited other Federal agencies that have implemented a quality program to learn about their success and mistakes. We have met with consultants, and staff from the Federal Quality Institute, and have reviewed a number of survey instruments other agencies have used to survey their internal and external customers.

We have begun instituting quality-oriented changes. We have had numerous complaints from technical assistance customers that our toll-free lines were always busy. A volunteer team of Board staff took the lead in developing the hardware and software specifications and the menu options for a new telephone system. The telephone system is now in place with real time reports available to monitor line usage. Additionally, for the first time, we are using an advisory committee made up of people who will be the customers using our accessibility guidelines for recreation to recommend guidelines for the Board to consider. The response and work of the members of the advisory committee have exceeded our expectations.

During fiscal year 1994, we plan to provide all the Board staff with training in the quality approach, measurement techniques, and team problem solving. The staff and Board members will together develop a vision statement for the Board and set specific goals. We plan to conduct a survey of both external and internal customers of the Board. By fiscal year 1995, we will have a quality approach to our programs and services at the Board. We do not anticipate any additional fiscal year 1995 funds will be necessary for this effort.

Public Communications

The Public Communications program will coordinate efforts to provide information to the Board's publics and customers, to assess customer needs for specific data or products, and to develop ways to address those needs through technical assistance, training, publications, and video and audio presentations. The program will also increase access to information through a variety of channels including a recorded news and information telephone line, a computer bulletin board, expanded and refined mailing lists for reaching specific publics or customers with information pertinent to their needs or to notify them of issues of interest. In addition, the Public Communications program will foster working together collaboratively with outside groups in order to develop closer ties with other Federal agencies, State and local governments, and such customer groups as architects, designers, public works officials, and building and construction managers.

A line item budget for \$3,244,000.00 for fiscal year 1995 is presented at Attachment B.

ATTACHMENTS

- A. History of the Board's ADA Rulemaking
- B. Line Item Budget

ATTACHMENT A

History of the Board's ADA Rulemaking

ADA RULEMAKING

ADAAG for Buildings and Facilities (Sections 1-9)

Notice of Proposed Rulemaking Published	01/22/91
Public Comment Period Ended	03/25/91
Final Guidelines Published	07/26/91
Department of Justice Adopted Guidelines	07/26/91

ADAAG for buildings and facilities initially consisted of nine sections. Sections 1 through 4 contain general sections, scoping provisions, and technical specifications applicable to all types of buildings and facilities. The scoping provisions specify which and how many elements and spaces of a building or facility must be accessible (e.g., parking spaces, entrances, toilet rooms). The technical specifications describe how to design the elements and spaces covered by the scoping provisions so that they are accessible to and usable by individuals with disabilities. Sections 5 through 9 contain additional scoping provisions and technical specifications for the following buildings and facilities: restaurants and cafeterias (section 5); medical care facilities (section 6); mercantile establishments (section 7); libraries (section 8); and hotels, motels, and transient lodging (section 9). The Department of Justice adopted sections 1 through 9 of ADAAG on July 26, 1991 as the standard for accessible design in its regulations for title III of the ADA.

ADAAG for Transportation Facilities (Section 10) and ADAAG for Transportation Vehicles

Notice of Proposed Rulemaking Published	03/20/91
Public Comment Period Ended	05/20/91
Final Guidelines Published	09/06/91
Department of Transportation Adopted Guidelines	09/06/91

This rulemaking added section 10 to ADAAG for buildings and facilities and contains additional scoping provisions and technical specifications for transportation facilities. A separate ADAAG was issued for transportation vehicles which covers the following vehicles and systems: buses and vans, rapid rail vehicles, light rail vehicles, commuter rail cars, intercity rail cars, over-the-road buses, automated guideway transit vehicles, high-speed rail cars, monorails, and trams and similar vehicles. The Department of Transportation adopted sections 1 through 10 of ADAAG for buildings and facilities and ADAAG for transportation vehicles on September 6, 1991 as the standard for accessible design in its ADA regulations.

ADAAG for State and Local Government Facilities (Sections 11-14)

Notice of Proposed Rulemaking Published	12/21/92
Public Comment Period Ended	03/22/93

This rulemaking will add four new sections to ADAAG for buildings and facilities and will contain additional scoping provisions and technical specifications for the following State and local government facilities: judicial, legislative and regulatory facilities (section 11); detention and correctional facilities (section 12); residential housing (section 13); and public rights-of-way (section 14). The final guidelines will be published in fiscal year 1994. The Department of Justice

is preparing a notice of proposed rulemaking to adopt sections 1 through 14 of ADAAG as the standard for accessible design in its regulations for title II of the ADA.

ADAAG for Over-the-Road Buses

This rulemaking will establish additional accessibility guidelines to ensure over-the-road buses are accessible to individuals who use wheelchairs and other mobility aids. A notice of proposed rulemaking and final guidelines is planned to be published during fiscal year 1994.

ATTACHMENT B

Line Item Budget

FY 1993 - FY 1995 BUDGETS

CODE	DESCRIPTION	FY 1993	FY 1994	FY 1995
		OPERATING PLAN \$3,303 M	OPERATING PLAN \$3,358 M	PROPOSED \$3,244 M
11.1	FULL-TIME PERM (FTP)	1,366,000.00	1,519,000.00	1,544,000.00
11.3	OTHER THAN FTP	244,135.00	237,000.00	225,000.00
	--TEMPORARY FULL-TIME	54,000.00	86,000.00	87,000.00
	--PART-TIME	65,635.00	45,000.00	46,000.00
	--BOARD MEMBERS	124,500.00	106,000.00	92,000.00
11.5	OTHER PERSONNEL SERVICES	32,000.00	35,000.00	40,000.00
	--OVERTIME	5,000.00	5,000.00	5,000.00
	--EMPLOYEE AWARDS	27,000.00	30,000.00	35,000.00
11.8	SPECIAL PERSONNEL SERVICES	0.00	0.00	0.00
	TOTAL PERSONNEL COMPENSATION	1,642,135.00	1,791,000.00	1,809,000.00
12.1	PERSONNEL BENEFITS	329,200.00	382,000.00	387,000.00
TOTAL	PERSONNEL COMPENSATION	1,971,335.00	2,173,000.00	2,196,000.00
21.0	TRAVEL	159,000.00	151,000.00	167,000.00
	--BOARD MEMBER & ATTENDANTS	138,000.00	130,000.00	146,000.00
	--BOARD STAFF	21,000.00	21,000.00	21,000.00
23.1	RENT (OFFICE SPACE)	220,000.00	220,000.00	220,000.00
23.2	OTHER RENTALS	124,000.00	122,000.00	125,000.00
	23.22 COURIER SERVICE	2,500.00	1,500.00	1,500.00
	23.24 POSTAGE METERS	1,500.00	1,500.00	1,500.00
	23.25 POSTAGE	60,000.00	60,000.00	62,000.00
	23.28 PHONES	60,000.00	59,000.00	60,000.00
24	PRINTING	108,000.00	100,000.00	144,000.00
25.0	CONTRACTS, GRAND TOTAL	616,665.00	552,000.00	347,000.00
	RESEARCH & TECHNICAL ASSISTANCE	400,000.00	390,000.00	184,000.00
	ADMINISTRATIVE	216,665.00	162,000.00	163,000.00
	--OTHER REIMBURSEMENTS (TOTAL)	58,000.00	61,000.00	61,000.00
	--25.9D STAFF TRAINING	6,000.00	16,000.00	8,000.00
	--MAILING SERVICES	25,000.00	25,000.00	25,000.00
	--COURT REPORTER	15,000.00	12,000.00	15,000.00
	--INTERPRETER FOR DEAF	22,000.00	12,000.00	13,000.00
	--COURIER, GSA	3,000.00	2,000.00	3,000.00
	--BRAILLER MAINTENANCE	1,000.00	1,000.00	1,000.00
	--COMPUTERIZED LEGAL RESEARCH	2,000.00	0.00	0.00
	--IBM COPIER MAINTENANCE	4,000.00	7,000.00	7,000.00
	--COMPUTER MAINTENANCE	2,000.00	3,000.00	4,000.00
	--DRUG TESTING	1,300.00	1,000.00	1,000.00
	--MISCELLANEOUS (Space Adjustments)	35,000.00	1,000.00	3,000.00
	--BRAILLE/CASSETTE PRODUCTION	36,365.00	15,000.00	16,000.00
	--AUDITS	6,000.00	6,000.00	6,000.00
26.0	SUPPLIES	34,000.00	25,000.00	30,000.00
31.0	EQUIPMENT	70,000.00	15,000.00	15,000.00
GRAND TOTAL - PERSONNEL		1,971,335.00	2,173,000.00	2,196,000.00
GRAND TOTAL - NONPERSONNEL		1,331,665.00	1,185,000.00	1,048,000.00
ATBCB BUDGET GRAND TOTAL		3,303,000.00	3,358,000.00	3,244,000.00

THURSDAY, APRIL 14, 1994.

U.S. DEPARTMENT OF TRANSPORTATION

WITNESSES

MORTIMER L. DOWNEY, DEPUTY SECRETARY OF TRANSPORTATION
MICHAEL P. HUERTA, ASSOCIATE DEPUTY SECRETARY AND DIRECTOR, OFFICE OF INTERMODALISM
LOUISE FRANKEL STOLL, ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS
PATRICK V. MURPHY, ACTING ASSISTANT SECRETARY FOR AVIATION AND INTERNATIONAL AFFAIRS
STEPHEN H. KAPLAN, GENERAL COUNSEL
JON H. SEYMOUR, ASSISTANT SECRETARY FOR ADMINISTRATION
STEVEN PALMER, ASSISTANT SECRETARY FOR GOVERNMENTAL AFFAIRS
FRANK E. KRUESI, ASSISTANT SECRETARY FOR TRANSPORTATION POLICY

OPENING REMARKS

Mr. CARR. Good morning. I want to extend a personal apology for being 25 minutes late. I was downtown giving some remarks to a well-known transportation group. I imagine some of the people in this room have probably also been down there giving remarks to them, but the fault is my own. If I had planned a little better, I would not have held you up and I don't like to hold people up. We have a lot of high-priced talent here and I don't want to keep them waiting.

We are going to hear testimony today on the fiscal year 1995 budget request from the Office of the Secretary. Your request includes \$61.8 million for salaries and expenses, that is, actually a 6.4 percent increase; the total budgetary resources are \$249.9 million, a 2 percent decrease. Most of the overall reduction is due to cuts in the essential air service program and in rental payments to GSA.

We are pleased to welcome as the primary witness this morning, the Deputy Secretary, Mort Downey, a good friend of this Committee for many, many years, and back in the 1970's an Assistant Secretary for Budget and Programs in the Carter administration. We are all very fortunate—the Secretary, the Congress, everyone is fortunate—to have someone as experienced as Mort Downey in that very important role.

Mort, let me welcome you back to the Subcommittee and say that I look forward to working with you this year; and I would ask that you introduce your supporting cast there and give us an oral summary of your prepared statement. Your full statement will be put in the record.

However, before you do that, let me ask for your cooperation on one thing that is very, very important to us at the Committee. If

we are going to get our work done on time, then we are going to need your help and that concerns the timeliness of hearing statements and justifications. The Committee asks that statements be provided three days before the hearing so that Members and the staff can prepare for the hearing. So far this year we have had 10 hearings involving the Department; only three witnesses have come up with statements on time, and half have given us the statement only the day before the hearing.

There have also been some problems in the timeliness of the justifications, and we would like to convey to your staff that our Subcommittee needs a little better responsiveness, particularly for the remainder of this year and then on, of course, into next year.

We are going to be on a fast track. Our Chairman has not told us what the time line is going to be, and of course, we have had the tragic death of Chairman Natcher, whom we all loved. We have a new Chairman, and he has not given us guidance on what our mileposts are going to be, but my experience tells me that if we are going to be on the House floor in July with health care, that means appropriations are going to have to be on the floor before that.

I don't know what the leadership will do. Normally, we would mark up around the end of May, but we may be doing that earlier this year. I don't know. So we are going to ask you to help us out.

Mr. DOWNEY. I will work with Louise and with the operating administrations. There is no reason, with the budget done in January, that they cannot have these statements and justifications in on time. I understand the need for them.

Mr. CARR. Okay. Thank you.

Unless Mr. Coleman has any opening statements, we will—

Mr. COLEMAN. Please go ahead.

Mr. CARR. Okay.

INTRODUCTIONS

Mr. DOWNEY. Thank you, Mr. Chairman let me introduce my colleagues. We brought the various Assistant Secretaries and the General Counsel this morning.

On my right Steve Palmer, who is the Assistant Secretary for Governmental Affairs; Frank Kruesi, the Assistant Secretary for Transportation Policy; Pat Murphy, Acting Assistant Secretary for Aviation and International Affairs; Steve Kaplan, the General Counsel; Louise Stoll, whom you have seen a lot of this year as Assistant Secretary for Budget and Programs; Jon Seymour, our Assistant Secretary for Administration; and Michael Huerta, who is the Associate Deputy Secretary and the Director of the Office of Intermodalism. We are all here to answer any questions you might have.

I have a brief opening statement that I would like to go through, and as you said, our full statement will be in the record.

We are pleased to be here to discuss the Office of the Secretary's budget. Before I talk about the numbers, let me just put a little context to it of activities we have undertaken with respect to policies and to management.

DOT STRATEGIC PLAN

We felt that to give the Department direction and focus its activities, we would spend time last year, which we did, in developing a strategic plan for the Department's activities. I understand the Secretary reviewed that with you at his hearing.

It establishes the direction we plan to move in, the way we intend to use resources. It addresses some key goals.

Infrastructure we see as a strategic opportunity for the Department in moving forward the national economy. We want to work on financing in a way that addresses our infrastructure needs, both supporting funding through the budget, but also encouraging other innovative forms of financing. We are concerned about the soundness of our investments and are following through on the President's Executive Order to determine that we are making good choices about infrastructure.

And, we want to be sure the system works well.

We have been holding outreach sessions around the country on how ISTEA is working. We have begun to work with States and localities on the definition of a national transportation system, and we are working with metropolitan planning organizations on how they do their planning.

A second area of priority for us under the strategic plan has been research and technology. We have stepped up the level of interest, the level of activity, and we have reached out and in fact brought resources into the Department through the process of defense conversion. We have participated with the Defense Department's Advanced Research Projects Agency in the technology reinvestment project, which is a multiagency effort. In fact, during fiscal year 1993, almost \$800 million worth of projects was awarded by ARPA under this program and better than half of that dollar volume went to transportation-related projects. So it has been a major enhancement of our activities.

We have also tried to coordinate within the Department, and among departments on transportation R&D priorities and to do a better job of seeing that the dollars are spent on key issues.

On the aviation front, we began last year with the Secretary's role in establishing the Commission on a Strong and Competitive Airline Industry. We have followed through with the work of the Commission and then supported it with an administrative initiative to draw on those recommendations and the recommendations of the National Performance Review.

Among those, as you know, we are developing a detailed plan to restructure FAA's air traffic control services as a government corporation, to improve its efficiency.

We are analyzing the high-density rule as one of the means of revitalizing domestic aviation. We are strengthening our role in monitoring airport revenues, in terms of landing fees and other charges, and we are also stepping up our efforts on airport revenue diversion, a subject I know this subcommittee is particularly concerned about.

We are continuing our efforts on international aviation, seeking to achieve a more liberal aviation regime.

On the management side, we are doing our part in reinventing government both to reduce its costs and to be more effective. In the Secretary's Office, we oversee the Department's implementation of the National Performance Review. We plan over the years, through 1999, to reduce our staffing, consistent with government-wide targets. We are doing that with the various agencies and OST offices. We are using the recently enacted legislation for buy-outs as a means of both reducing the size and, importantly, changing the shape of the Department.

We have moved forward under the Chief Financial Officers' Act to consolidate all of the financial management activities within DOT in one area and named the Assistant Secretary for Budget and Programs as the CFO of the Department. She is working to improve our financial information and make it more timely and usable to the program managers.

We have undertaken a major review of our civil rights activities within the Department and developed some options for reorganization and consolidation. The Secretary is still considering those options, but we would hope to brief you soon on the outcome of our process.

Lastly, in terms of priorities, we are moving forward in the regulatory area under the President's Executive Order. We have sorted out what is reviewed within the Department versus what is reviewed centrally. We have directed our administrators and our secretarial officers to improve the rulemaking process, to delegate more of the sign-offs to lower levels, use negotiated rulemaking or direct final rulemaking procedures where possible, and to encourage the use of telecommunications to supplement or in lieu of public hearings. We want to make this a more effective and efficient process.

BUDGET OVERVIEW

Turning to the budget, to carry out our responsibilities in fiscal 1995, we are requesting appropriations and obligation limitations totaling \$258 million for the OST accounts. When you exclude rental payments, which are presented as a consolidated account in this budget at your committee's direction, the request provides a 1 percent decrease below the 1994 enacted level.

We are also requesting \$107 million as a limitation on the Working Capital Fund. The request supports a total employment level for the Secretary's Office of 1,083 full time equivalents, 13 FTEs, or 1 percent below the 1993 actual level.

In addition to FTE reductions, we are proposing further reductions in the Essential Air Service program, targeting that program to communities that are truly isolated or where the air service can be a cost-effective option as measured by subsidy costs.

To the extent there are increases in the budget, and they are few, they are targeted to priority areas. We are requesting additional funding for the Office of Commercial Space Transportation, to carry forward our role in enhancing the commercial space industry, which we see having major economic development opportunities for the Nation, and supporting major initiatives in communications and other activities.

It is important that the Office of Commercial Space have the resources needed to carry out both its safety responsibilities and its support of the industry.

Also, in terms of increases, minority business is a priority area. We are requesting a doubling of the short-term lending program in that office, from a \$7.5 million to a \$15 million limit on loans to promote more effective participation of minority contractors in transportation activities. We are also seeking \$4 million, which would replace carryover balances used during the current fiscal year to support the outreach and training activities which promote minority participation in the transportation business.

In closing, we are committed to reinventing government. We will continue to look for ways to streamline our operations while we improve the quality of our work, and we will strengthen our oversight capabilities even as we reduce the size of the Secretary's Office.

We appreciate the support we have received in the past from this subcommittee and hope we can continue to deserve your support in the future. I would be glad to answer questions or pass them off to my colleagues, depending on the nature of the subject.

[The prepared statement and biography of Mortimer Downey follow:]

OPENING STATEMENT OF MORTIMER L. DOWNEY
DEPUTY SECRETARY
DEPARTMENT OF TRANSPORTATION
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON TRANSPORTATION
WASHINGTON, D.C.
APRIL 14, 1994

Mr. Chairman and Members of the Subcommittee, I am pleased to appear before you to address the FY 1995 budget request for the Office of the Secretary.

Before discussing the specifics of our FY 1995 Budget for the Office of the Secretary, I would like to highlight the wide range of actions OST has underway to help shape transportation policy and also the management initiatives we are pursuing.

As the Secretary described in his overview hearings before this subcommittee, we have over the past year gone through the hard thinking of developing a strategic plan for DOT. We are using the plan to set priorities for the activities we pursue and to guide our budget decisions.

Infrastructure

A key goal of DOT's Strategic Plan is to invest strategically in infrastructure because of the role transportation infrastructure has in supporting jobs and national and regional economies. We also believe we have a public commitment of stewardship and fiduciary responsibility to maintain its condition and performance.

In OST, our focus on infrastructure is three-pronged. First, we want to promote infrastructure financing sufficient to address needs. This includes strong Federal support as proposed in the President's Budget but also encouraging State and local governments to take advantage of innovative financing opportunities to leverage additional funding for infrastructure. OST has organized seminars within DOT to educate DOT program managers on the opportunities for innovative financing within the authorities now available as well as thinking about other authorities we might seek.

Second, we want to make sure that infrastructure investments are sound. We take seriously the President's Executive Order on Infrastructure Investment and OST, through the Assistant Secretary for Budget and Programs, will coordinate the Department's compliance with the Order. We are also working with FAA and FTA to strengthen the criteria used in determining discretionary grant awards.

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Third, we want to make sure that transportation infrastructure works effectively. We have held outreach sessions across the country to assess the implementation experience under ISTEA and to apply our findings to the programs we manage. We are beginning the process of formulating the National Transportation System (NTS), and that will include outreach to States and Metropolitan Planning Organizations (MPOs) for feedback on factors to consider in shaping the NTS. The NTS is a cornerstone of the Secretary's efforts to promote infrastructure investment. The NTS will aid in promoting system planning and selecting strategic infrastructure investments.

Research and Technology

Investing in research and development in order to accelerate technological advances and solutions to transportation problems, another goal of our strategic plan, is also a Presidential priority.

In this area, we have focused our efforts on increasing the resources available for transportation research, both within the DOT budget and governmentwide. DOT participates in the Technology Reinvestment Project, a multi-agency effort administered by Defense's Advanced Research Projects Agency to promote commercial-military technology integration. In FY 1993, proposals with a total face value of \$800 million were awarded under this program, of which \$420 million went directly to transportation-related projects. In addition, we plan to participate heavily in the American Technology Preeminence program with the National Institute of Standards and Technology.

We want to do a better job of coordinating R&D activities within DOT and with other departments to articulate R&D priorities and ensure strategic investments. Toward that goal, we have appointed a Director of Technology Deployment in the Immediate Office of the Secretary. His role is to integrate research and development activities within the Department and advise the Secretary on technology issues.

We also chair the Interagency Coordinating Committee on Transportation R&D which has been established under the National Science and Technology Council. This council is establishing R&D priorities for infrastructure development and renewal.

Aviation Policy

Beginning with the Secretary's role in establishing the National Commission to Ensure a Strong Competitive Airline Industry aviation policy geared to strengthening the aviation industry, has been a central priority for the Secretary. In the past year, we have supported the work of the Commission and developed

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an Administration aviation initiative which draws on the recommendations of the airline commission and incorporates elements of the National Performance Review. In this regard, we are developing a detailed plan to restructure FAA's air traffic control services as a government corporation.

To revitalize domestic aviation, we are analyzing the High Density Rule at the four slot controlled airports and are seeking comments on unwarranted, inappropriate or burdensome aviation regulations. Further, we are strengthening our role in monitoring airport revenue, both in terms of the landing fees and other charges to the airlines for airport use, and also the issue of revenue diversion, which I know this subcommittee is particularly concerned about.

To promote international trade and competition, we are developing a multi-national aviation policy statement to guide our efforts to achieve a more liberal aviation regime. We are moving toward a U.S.-Europe open skies for cargo. We are also promoting U.S. technology abroad and we are continuing to renegotiate existing bilateral agreements to solidify the rights that our carriers currently have and to move forward toward a more liberal global regime.

OST coordinated the development of the Administration's FAA reauthorization proposals. Included in our proposals are provisions to increase planning funds and to designate hub airports as major modes of transportation in order to give them an active voice in metropolitan planning and hence to promote intermodal planning and attention to land use issues in areas around airports.

Management Improvements

The Department strongly supports the Administration's efforts to reinvent government, to reduce costs and be more effective in what we do. In addition to overseeing DOT's implementation of the National Performance Review recommendations, OST is doing its part to reduce staffing consistent with the President's 12 percent targets. We have issued FTE targets to each operating administration and OST office to use in planning future budgets that will ensure that we achieve our share of the 12 percent reduction by FY 1999. Toward that end, we anticipate that upwards of 120 people in OST will leave the government with buy-outs.

Pursuant to the Chief Financial Officers Act, we named the Assistant Secretary for Budget and Programs as the Department's Chief Financial Officer and consolidated financial management activities within that organization. We are in the process of hiring a Deputy CFO and one of the initial goals under the CFO is

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the creation of financial management information that is timely and usable to program managers and top DOT officials.

We have undertaken a major review of how the Department carries out civil rights activities and developed options for reorganization and consolidation, as this Subcommittee encouraged us to do. We hope to brief you soon on the details of our proposal including the impact on our FY 1995 budget proposals.

Regulations

We are striving to move forward with our various regulatory requirements. In September 1993, the President signed an Executive Order calling on agencies to review and reform the rulemaking process and report on the actions taken. As part of this process OMB will no longer review non-significant rules. The Secretary has directed the operating administrations and the secretarial officers to take action in several ways to improve rulemakings including: delegating sign-offs to lower levels, using negotiated rulemaking and direct final rulemaking procedures unless parties object, and encouraging the use of telecommunications to supplement or in lieu of public hearings.

FY 1995 BUDGET REQUEST

To carry out our responsibilities in FY 1995, we are requesting appropriations and obligation limitations totaling \$258 million for all OST accounts. Excluding \$152.6 million for rental payments to the General Services Administration, which is presented as a consolidated account in this budget at the Appropriations Committees' direction, the request provides a one percent decrease below the FY 1994 enacted level. We are also requesting \$107.4 million in obligation authority for the Working Capital Fund. Our request supports a total employment level of 1,083 FTE, 13 FTE (one percent) below the FY 1993 actual level. This level is consistent with the OST share of the long term reductions contemplated under the buyout legislation.

SALARIES AND EXPENSES

The Salaries and Expenses appropriation request totals \$61.8 million, a net increase of \$3.7 million or 4 percent over the FY 1994 enacted level. The increase is due largely to \$4 million requested to replenish the appropriation for the Minority Business Resource Center, which was previously funded from unobligated balances which will no longer be available in FY 1995.

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OST will participate fully in the Department's 12 percent FTE reduction plan. The staffing request of 614 FTE is a net decrease of 20 FTE below the FY 1994 enacted level. This reflects a reduction of 26 FTE throughout OST--including Budget and Programs, Governmental Affairs, Intelligence and Security, Transportation Policy, Aviation and International Affairs and Administration.

The budget also includes a staff increase of 6 FTE for certain priority activities. One FTE is added to the Immediate Office of the Secretary for the position of Director of Technology Deployment. This position, which was established in FY 1994 through reimbursements, is important to ensure that DOT's research activities are coordinated and that transportation research priorities are addressed in governmentwide research initiatives such as defense conversion. Staff increases also include 5 FTE added in the Office of Civil Rights to assist in processing the growing backlog of civil rights complaints.

With regard to civil rights activities, we share the Subcommittee's concern about the Department's performance in this area. The Director of the Office of Civil Rights, at the Secretary's direction, has conducted a thorough review of the organization, resources and procedures devoted to civil rights activities throughout the Department and identified options for changing how we do business. Once the Secretary has made a decision on how to proceed, we will inform the Subcommittee of our specific plans. We would like to work with the Subcommittee and reflect any organizational changes in the FY 1995 appropriations bill. We would be pleased to work with the Subcommittee to provide additional details of our plan as we have it available in May.

In the spirit of reinventing government to "work better and cost less" the budget includes a net reduction from FY 1994 enacted levels of \$1.9 million in Other Services. However, included in our request is \$1.27 million to continue the OST office automation program. These funds are needed to maintain our current system, which by October should include an OST-wide network, and to pursue automation of our regulatory dockets. The docket project will help to expedite our rulemaking process and improve access for the public.

We continue to request a single appropriation for OST Salaries and Expenses because of the management flexibility a single account would provide. This is all the more critical as we face staff reductions and pay raise absorption. Although we appreciate the twelve percent transfer authority the Committee provided for FY 1994, we believe a single account would allow optimum use of our resources. We are not requesting an increase in Reception and Representation funds, but we do ask your support to continue the current level of \$60,000.

OFFICE OF COMMERCIAL SPACE TRANSPORTATION

For the Office of Commercial Space Transportation (OCST), we request \$6.5 million and 29 FTE to support licensing, inspections, vehicle design review, safety research and policy analysis activities. OCST is responsible for regulating U.S. private commercial space launches to protect public safety and national interests.

The request includes an increase of 3 FTE to support the licensing program. We greatly appreciate the Subcommittee's support for a staff increase in FY 1994 and ask for your continued support. Our FY 1995 staffing requirements for OCST are based on a workload analysis study performed last year that took into account the projected licensing and other regulatory workload and the workhours required in developing recommended staff levels.

We want to ensure the safety of the U.S. commercial space industry while at the same time supporting its growth. The economic stakes are significant. The U.S. share of the worldwide market for commercial space launches to geosynchronous (GEO) orbit has declined from 100 percent in 1980 to less than 40 percent in 1992-93. We want to support the U.S. industry in its effort to regain market share. Significant policy decisions are imminent with regard to military and civil space investments to be made with Federal funds. OCST has to be a participant in that process on behalf of all of the commercial space industry.

The budget assumes user fee revenue of \$200,000 credited to this account, consistent with the FY 1994 appropriation.

PAYMENTS TO AIR CARRIERS

For Payments to Air Carriers, an obligation limitation of \$25.6 million is requested. This level is a reduction of \$7.8 million below the FY 1994 level enacted in the FY 1994 DOT Appropriations Act. In FY 1994, we eliminated, pursuant to your appropriations action, subsidized service to 11 communities that were less than 70 miles from a medium or large hub or that required subsidy in excess of \$200 per passenger with the exception of communities that were more than 210 miles from a hub airport.

For FY 1995, we propose additional reductions that would eliminate service to communities that are less than 70 miles from a small hub airport and not protect any communities that required subsidies over \$200 per passenger regardless of their distance from a hub. We expect that this proposal could affect about 17-20 additional communities. The specific designation of communities would be made based on data for the most current 12-month period once the appropriations bill is enacted.

TRANSPORTATION PLANNING, RESEARCH AND DEVELOPMENT

Our request of \$9.7 million for Transportation Planning, Research and Development (TPR&D) includes \$2.9 million for general transportation studies in support of policy development and \$6.8 million for development of departmentwide management systems. For transportation studies, no increase in contract funds are requested. The request will support an assessment of the compliance cost and cost effectiveness of proposed amendments to the Air Carrier Access Rule regarding accessibility standards, analysis of transportation energy efficiency, assessment of the financial status of the transportation industries, analysis of the transportation impact of the North American Free Trade Agreement, and an assessment of the international aviation competitive environment and the implications for U.S. aviation policy.

The request for systems development will continue development and implementation of the Department's Integrated Personnel and Payroll System. FY 1995 is the fourth year of a projected five-year development project to correct material deficiencies in our payroll and personnel systems.

MINORITY BUSINESS RESOURCES CENTER

We are requesting \$1.9 million for the short term lending program, to be funded in a separate account. This level of financing will support a total DOT loan authorization of \$15 million. The short term lending program focuses on lending working capital to disadvantaged, minority and women-owned businesses for transportation-related projects in order to strengthen their competitive capabilities. This program is a small, but effective way to support jobs. We have seen the demand for this program grow from \$1.3 million approved loans in FY 1992 to \$4.7 million approved in FY 1993. We fully expect to obligate the \$7.5 million available for FY 1994. Given the past growth experience and the renewal of existing loan levels, we expect a \$15 million loan level to be easily reached in FY 1995.

WORKING CAPITAL FUND

We are requesting obligation authority of \$107.4 million for the Working Capital Fund (WCF) to fund common administrative services in the interest of economy and efficiency. This is an increase in the WCF ceiling of \$14.4 million. A portion of the increase (\$10.7 million and 21 FTE) reflects the consolidation into the Working Capital Fund of activities and associated headcount that had previously been financed by reimbursable agreements between the operating administrations and OST, such as sign language

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interpreting services, DOT drug testing, certain training programs, mail metering, the local area network/intermodal data network and the Workers' Compensation Information System.

The balance of the request includes program increases of \$3.6 million for management improvements including, replacement of copy machines, automation and other improvements to WCF cost documentation which is now done on hard copy and manual cuff records, a financial integrity review of the departmentwide accounting system.

In the spirit of the National Performance Review, our request includes savings of \$3.6 million and 4 FTEs associated with efficiencies and streamlinings in printing, support services and information resource management.

RENTAL PAYMENTS TO GSA

The budget includes \$152.6 million for Rental Payments to GSA, which together with \$18.3 million requested in the Federal Highway Administration budget to be paid into this account, finances the GSA rent requirements for all GSA-leased space for DOT except for the Maritime Administration. The request covers the cost of existing DOT-occupied space and critical new space acquisition which is necessary to deal with forced moves from non-GSA to GSA space, and expiring leases.

As you may know, the President has transmitted a budget amendment consistent with the allowance provision in the President's Budget to achieve \$206 million in governmentwide GSA rent savings. The savings are due to a change in GSA billings to more accurately reflect prevailing market conditions. The DOT portion of the rent reduction is \$8.4 million, of which \$8.2 million would reduce this appropriation and the remainder would affect the Federal Highway Administration and the Maritime Administration.

CLOSING REMARKS

The Office of the Secretary sets both the policy direction for the Department but also will set an example of prudent resource management. We are committed to reinventing government and we will continue to look for ways to streamline our operations while improving the quality of our work and strengthening our management oversight capabilities. We would appreciate the Subcommittee's support for the resources necessary to carry out our many responsibilities.

This concludes my statement. I would be pleased to answer the Subcommittee's questions.



THE DEPUTY SECRETARY OF TRANSPORTATION

WASHINGTON, D.C. 20590

MORTIMER L. DOWNEY

BIOGRAPHY

Mortimer L. Downey is the Deputy Secretary of the U.S. Department of Transportation (DOT), Washington, D.C.

In his role as the Department's Chief Operating Officer, he serves on the President's Management Council. He also serves as Chairman of the National Science and Technology Council's Committee on Transportation Research and Development and as a member of the Trade Promotion Coordinating Committee.

Prior to accepting President Clinton's appointment as Deputy Secretary, Mr. Downey served as executive director and chief financial officer at the Metropolitan Transportation Authority (MTA) in New York, the nation's largest independent public authority. At the MTA, he was particularly involved in the capital rebuilding of the MTA system. During his twelve years at MTA, more than \$20 billion of capital investment was programmed into its regional transportation facilities.

During the Carter Administration, from 1977 to 1981, Mr. Downey was the Assistant Secretary for Budget and Programs at the Department of Transportation. He also was the first transportation program analyst for the U.S. House of Representatives Committee on the Budget and held a number of positions with the Port Authority of New York and New Jersey.

Mr. Downey graduated magna cum laude from Yale University in 1958, received a master's degree in public administration from New York University in 1966 and attended the Harvard Business School Advanced Management Program in 1988. He served in the U.S. Coast Guard Reserve holding the rank of Lieutenant Commander.

Mr. Downey has been active in numerous professional and civic organizations serving on the Executive Committee of the Transportation Research Board of the National Academy of Science, as a director of the Municipal Forum of New York (a municipal bond group) and of the New York Building Congress. He held the position of president of the New York Metro Chapter of the American Society for Public Administration, has been an active member of the American Public Transit Association, and served on the New York University Alumni Council.

Mr. Downey and his wife, Joyce, have two grown sons, Stephen and Christopher.

Mr. CARR. Well, thank you, Mort. We have a number of questions we will ask for the record, as usual. And in keeping with my prior statements, we really would appreciate it if they could be turned around.

Mr. DOWNEY. Yes, certainly.

Mr. CARR. We have tried to economize on time in the hearings this year, and that puts more burden on answering questions for the record. I believe we have had good response so far to the request for answers to the record, but as we get closer to the end, the turnaround is going to become more critical.

So those agencies we have yet outstanding—the FAA is the big one, and we would like to have the FAA turn their questions around real quickly. And in exchange for that, obviously, we can shorten the time that we spend here and release some of this high-priced talent that I alluded to earlier.

INSPECTOR GENERAL'S BUDGET

I have a couple of questions, though, that I would like to ask on the record; and the first group has to do with aviation issues. However, before launching into that and I guess by way of introduction, I would like to point out that, personally, this Member of Congress and generally this Committee have had a good working relationship with the Inspector General of your Department. Now, I know that some of my colleagues who are chairs of subcommittees do not highly regard their Inspector General's, and think it is a lot of nonsense; but without regard to party and who is in office at any one point in time, this committee has worked very well with your IG and finds that the information provided and the work that the IG is doing are meritorious. So therefore we are somewhat disappointed in your request that they take the biggest hit in the Department-wide reductions.

And I can maybe just forecast for you that until someone shows us that the work of the IG is not productive, I think we will want to adjust that number. I am sure you had your reasons for doing it, but I wanted to explain our reasons for reducing that reduction, and would afford you an opportunity right now, if you want to respond. Maybe it requires no response.

Mr. DOWNEY. Our discussion with the IG was certainly not intended to reduce any of the output that the office produces. In fact, we find it valuable as well. But in the spirit of reinventing the way the Department operates—looking at layers of supervision, looking at administrative functions and other activities—we went through the same kind of review with the IG that we did with other offices. We felt—and I don't think there was disagreement from the IG—that we could operate more efficiently; and that really is the goal.

It appears at this point that the IG, in the plan we have put together, has reached the level in FY 1995 that they need to reach under the overall departmental plan. We will not have to go back through another series of reviews over time. We are really at the level we would hope to reach with the Department. We are not going to go back and say, now that you have reached this point, let's have another 8 percent. I think we have what we need.

AIRPORT REVENUE DIVERSION

Mr. CARR. Well, I guess the only way that I personally—and I don't speak for the Committee on this—would feel comfortable with significant reductions in the IG is if we had some assurance out of the Justice Department that they would vigorously pursue the bogus parts issue. I don't think we can get any real assurance in that regard. Aside from our own surveys and investigations staff, the IG is the only one that has a semblance of enforcement on the airport diversion issue.

We have furnished you a copy of our own Committee's surveys and investigation staff report, dated December 1993. Pursuant to that report, I called upon the Department to make some changes, to stop the use of the grandfather loophole and to improve data collection and enforcement of the revenue diversion statute.

I would like to see if you have a reaction, Mr. Kaplan. I know that most of what the report uncovered, indeed virtually all of it, was under someone else's watch; but the point is, what are we doing now?

Mr. DOWNEY. I will ask Mr. Kaplan to speak to that. It is an issue we have taken a lot of time on, and I think between the resources at FAA and the Secretary's Office and the IG, we will be putting a lot more attention to it in the future.

But, Steve, do you want to respond to that?

Mr. KAPLAN. Mr. Chairman, let me confirm and reassure you that the Department has taken these matters that the S&I report has raised, as well as those that the IG's audits have raised, very seriously. The Secretary, in a letter in December, broadly distributed to airports, reaffirmed his personal commitment to tightening up on illegal revenue diversion in the context of addressing another issue, which I know is also of interest, which is the rates and charges issue.

The FAA has undertaken a very methodical, comprehensive approach to these two sets of issues; and if you want, we can go through, airport by airport, and indicate to you already a number of airports—St. Louis' Lambert Field being a prime example, where they have already indicated to us they have reimbursed the airport over \$2 million in money that was diverted out of their telephone operation.

The FAA, in conjunction with the IG, as I said, is going through the airports that the S&I report focused on, as well as the IG, there is a view that some diversions were lawful diversions under the grandfather provision. Where there is an issue, and there are a number of them, steps are being taken and in many cases have already been taken to either direct reimbursement, put in place an independent audit, change the behavior, or otherwise address the concerns about diversion for unlawful purposes or for costs that were simply not sustainable.

GRANDFATHER CLAUSE ON AIRPORT REVENUE DIVERSION

Mr. CARR. Well, the S&I report basically said that, in the law there was an exception for airport authorities that may have more than one facility or even more than one mode that leveraged their

financing across the boundary of the modes or the facilities. Am I not right that that is what the exception was for?

Mr. KAPLAN. Well, I think that there is a bit of a disparity between the report in the conference in 1982, and what the law actually says and how Congress acted in 1987, when there was an amendment. I know that has been the subject of some concern on your part. But our office, acting as counsel to the IG—because that is our role—believes that this language applies to airport owners and operators and not just to unified port authorities, which I think is the underlying issue that you are raising in your question.

Mr. CARR. Well, I wanted to establish, regardless of whether you and I agree on the interpretation—and I honor your position as counsel to the Department; I think it was certainly the work of the S&I staff that basically the exception was there for port authorities because they had a unique problem. And then one of your predecessors some years ago, under the pressure of a particular Member of Congress, caused a reinterpretation or a sort of reconstruction of what the interpretation really ought to be to apply to other airports.

And indeed, not to argue with the particular Member of Congress who did this, there may arguably have been something in favor of that advocacy. The problem is that once it became an interpretation, then it became not an exception, but a loophole that airports then began driving trucks through. And the entire fabric of what was really intended began to fall apart, and then it became a rush by every airport authority and every airport owner in America tried to seek the same advantage, when none of that was really contemplated.

So maybe the starting language and its amendment later on had some flaws in it, but almost everyone agrees that the result that came out was something that was quite unintended. And in between those two extremes lies your office. And so I would think that for your own protection, you would want clarification of the law; and hopefully, in the reauthorization this gets taken care of, in addition to the other nasty little associated problem about reasonableness of rates and fees, which I read in *Aviation Daily* you are struggling with.

We included a provision last year in the bill, and frankly, I was surprised that it got to the President's desk. I really, I guess, did not intend that it get to the President's desk, because the Congress is not well suited to enforcing its own laws. You are the enforcers; we are not the enforcers. But when you get frustrated with the enforcement, then you take steps that are clumsy to try to send a message to someone. And I would love, under the best of times, not to include that clumsy provision in this year's bill, but that is totally contingent on progress that we get on these two issues, the rates-and-fees issue and the diversion issue.

So between now and the time we mark up, if we can have some progress and maybe even some communications—it is not conducive to a hearing setting. I would surely like to see what we could do.

Mr. KAPLAN. That would provide us a real opportunity, and we will look forward to that.

AIRPORT REVENUE DIVERSION

Mr. CARR. And here I want to make disclaimer that I don't want to hold someone up to example here in an unfair way. The City of Chicago is a wonderful place. I grew up in southern Wisconsin and it was like the capital of the world when I was growing up, and today I think it is one of the Nation's best cities. I am privileged to count the mayor as a personal friend and I don't want in any way to intrude on that friendship, but we have a situation in Chicago where we take mass transit to the airport and that generically is an issue that we have around the country. There are a lot of transit systems that want to take their light rail to the airport.

This Committee has some resistance to that because, the studies have tended to show that is not a real productive use of transit dollars, that it may help employees of the airport get to work and back, but very few airline passengers go to the airport on light rail.

Chicago, like some other cities, as you know from your rich history there, have just been leaders in mass rail transit and the system was out to the airport before anybody thought of the modern Urban Mass Transit Act; but part of the problem is that in not moving a lot of passengers to the airport but moving a lot of employees to the airport, another category of people moved to the airport and that is the homeless.

So the light rail transit provides an avenue for the economical transport of homeless to the airport where there are many hours of the day where there are empty waiting lounges and a whole host of other things, and I think the city began—quite carefully and quite correctly—to see that as a real problem at one of the Nation's largest hubs.

And so, what is the answer? Build a homeless shelter. But it turns out the homeless shelter comes out of aviation rather than out of the city services budget because it seems that federally supported mass transit has helped move the problem off the city streets to the airport where then it attaches a different source of revenue, which then builds a homeless shelter.

Now the homeless have to be sheltered. I am not going to argue with that or the inventive way the City of Chicago has done that. However, I think if you asked, if you did a sample survey—not of the O&D passengers so much, but the itinerant passengers going through O'Hare, whether a portion of their PFCs or ticket taxes or anything else should be used to fund a homeless shelter, I think they would be shocked, appalled, surprised and outraged.

And so, like I say, Chicago is a great city, and your mayor is a good friend of mine. I don't want to make a big deal out of this particular example, but it is one that tends to show how something is not right here. So I hope that we can get our hands around this and that the Department will be vigorous and ask Congress for any authority it thinks it needs to help this situation out.

Mr. KAPLAN. I think that with the FAA, we are starting to see perhaps for the first time a very methodical, regular approach to getting the Department's arms around the diversion issue. I will share with you my own dismay in coming into the Department and asking for the list of those cities which the FAA had determined

to be grandfathered, and I was told that there was no such list. And I was concerned.

We have had discussions with the FAA. The lack of a list of grandfathered sponsors was symbolic to me of a lot of the concerns that you have raised and the S&I report focused on. I want to commit to you both from the Secretary's Office as well as the FAA that this is the focus of a very serious effort.

Mr. CARR. Great.

Well, we have a number of questions that in detail are concerned with that and I would ask you to turn those around very quickly. I have more questions, but I have consumed some time now, so I would like to give my colleagues an opportunity.

BORDER INFRASTRUCTURE

Mr. Coleman, you arrived first.

Mr. COLEMAN. Thank you, Mr. Chairman.

I appreciate very much your testimony here today, Mr. Downey, and from the Secretary. One of your key goals, as you stated, is that you were working very hard to invest strategically in regional infrastructure. And, in fact, one of the reasons I was running a little late myself this morning was because I was meeting with the Ambassador from Mexico, where he highlighted the transportation summit that is going to take place. Secretary Peña is planning to participate. The summit is at the end of this month, if I am not mistaken.

Will Secretary Peña put forth any specific proposals in dealing with the infrastructure needs.

Let me parenthetically say to you that the Governor of my State of Texas has made a big effort toward pushing for additional border crossings, bridges between Mexico and the United States. The biggest problem, of course, in many of the regions of our State is simply that a bridge does not solve a problem. If you cannot move the traffic from one location to the other with the necessary infrastructure on both sides, it does not work.

Are we going to make any specific proposals or any specific types of cooperative efforts with Mexico and Canada with respect to infrastructure as a part of the overall North American Free Trade Agreement.

Mr. DOWNEY. Yes, sir, Mr. Coleman. One of the goals of the summit would be to identify specific initiatives we can take on a joint basis to make the existing border crossings work better.

We think there is a significant problem now. The capacity that is there is wasted by the way a border crossing operates. We also must look to the future where additional capacity will be needed. We need to get all of the agencies involved on both sides of the border to work on financing devices that could build bridges and other necessary infrastructure. We also need to take the plans that are in place in the States under the National Highway System and other initiatives to tie into those.

We think it is a growing need, and it is one that both existing mechanisms and new ones will have to be put in place to make it work. That was one of the reasons to call for this summit. We, of course, had hoped to have it done last month, but the tragic events in Mexico delayed it. But the interest was high enough that it was

really a very brief delay, and we are going right back to work on it this month.

Mr. COLEMAN. Senator Feinstein, who also attended the meeting with the Ambassador said that the biggest problem she confronts is the issue of illegal immigration. The Ambassador to Mexico, Ambassador Jones, sent a letter to Members represent districts in the U.S.-Mexico border region suggesting part of the problem is a lack of infrastructure on the part of the United States that permits legal immigration. I can tell you with some certainty that is indeed the fact and the case.

Lack of infrastructure relates not to just transportation, but INS and the Consulate's Office in Mexico that can facilitate legal documentation for crossings.

I hope the Administration has specific proposals. If not please feel free to contact my office. The Congressional Border Caucus has a number of very specific proposals in front of the Public Works Committee in the House. The Border Caucus has detailed projects from San Diego to Brownsville that could be included.

I am sure our colleagues on the northern border have specific needs and requirements also.

If, indeed, we intend to facilitate commerce between our countries on behalf of our constituencies in the United States, then it is important that we come forward with some fairly specific ideas. I would love to have the support of the Administration on a number of these very specific projects. They were not included in ISTEA, because it was very difficult to convince anybody some years ago that this kind of commerce was important and growing.

But now with the NAFTA we have an opportunity to focus attention on the issue. And not just in ground transportation, rail has also been neglected. I would be interested in seeing any proposals to connect the railroad tracks of the U.S. and Mexico.

INTERNATIONAL AVIATION

You highlighted in your testimony that you want to promote international trade and competition through international aviation. Please elaborate on the specifics of this "liberal global regime".

Mr. DOWNEY. I may ask Pat Murphy to supplement my comments. The basic goal is to open up entry for U.S. airlines and for U.S. citizens into the key markets abroad. They have been for the most part very protectively structured; only limited access has been provided into key locations like the U.K., and Japan. We made some progress this year in Germany towards additional service.

It is always a difficult set of negotiations. Our airlines tend to be far more efficient and competitive than the foreign airlines, and the foreign governments tend to protect the market shares of their airlines against free competition.

We think there is major room for additional competition. It does not necessarily have to be one at the expense of the other. If greater liberalization occurs, more travel should occur, more cargo, and more passengers would move. There would be a larger pie for all of us to share. We are trying to get that idea across in the bilateral negotiations. We have also suggested to the European Union—particularly with respect to air cargo—that we should be negotiating with the entire EU, since it is a single economic unit. Since the

trade that moves our exports may be going to a variety of countries, we want access to the air cargo markets for all of those countries. That is our goal, to increase the openness of competition, but behind that is a goal to give greater opportunities for our airlines to capture a great amount of traffic.

GLOBALIZATION OF AIRLINES

Mr. COLEMAN. Has the ability to leverage been enhanced at all by the agreements that airlines have entered into? A number of years ago USAir and British Air entered into agreement. Since then, other airlines have either made application or suggested that we could land or utilize the local routes within foreign countries.

Mr. MURPHY. Yes, Congressman, the growing alliances between the airlines through code sharing and investment is part of the globalization of the airline industry. Where those alliances come along, we do attempt to leverage them to increase rights for our carriers. We are not always successful, but we always review those alliances in that context. We do not allow alliances to form in a very large or liberal nature unless the underlying bilateral agreements are liberal themselves; and that is the leverage we attempt to apply where we can.

Mr. COLEMAN. On a smaller, more local scale, there are routes that I know would be beneficial to smaller carriers. If smaller carriers had the ability to access assistance from our own government, to enter similar alliances, we would have a real opportunity to access foreign cities, such as those in Mexico. Instead of flying from Juarez to Mexico City or Chihuahua via some other route, the ability to fly directly from a city like El Paso or San Antonio would be very beneficial. I hope that assistance sought by private carriers through our government could be aided in that regard.

I've been approached by other than business people who have a great deal of interest in being able to move between cities by air.

Mr. DOWNEY. As the trade links begin to become stronger, we will need that ability to move our people.

Mr. COLEMAN. I hope within the Department we will have, an office to facilitate that kind of assistance.

Mr. MURPHY. If I could comment, Congressman. Our aviation relations with Mexico, were liberalized extensively four or five years ago. Our carriers today have very broad rights to fly back and forth across that border. If there is a market there, generally the carriers can access it and the Mexican Government is quite liberal in allowing new markets in. They made a decision in Mexico several years ago to encourage travel, encourage tourism. Therefore rights, back and forth across our southern border, are quite liberal.

To the north, with Canada, we have a different situation, a very restrictive aviation regime. There are routes that cannot be served. There is lot of frustration by cities and U.S. airlines. We are working with the Canadian Government on that.

Mr. COLEMAN. Thank you very much. We will recess for approximately 10 minutes to vote.

[Recess.]

TRANSIT BENEFIT PROGRAM

Mr. CARR. Okay, we will get right at it and see if we can conserve a little time here.

When we broke for the vote, I believe Mr. Coleman had asked most of his questions. While we wait for others to come back, let me ask you some of the ones that I had deferred.

The Department of Transportation is one of the most generous agencies participating in the transit benefit program, and of course, that program provides about \$60 a month tax free to employees who use mass transit. Now, last September, the testimony was that 4,800 DOT employees at headquarters were enrolled in the program; that is about 40 percent of the eligible work force, I understand. However, as we pointed out before, there is currently no requirement to show that these employees were not already taking mass transit before receiving the subsidy.

Are there any statistics from then until now which offer some evidence that the transit subsidy has actually increased the number of DOT employees using mass transit, or are we paying more money for people who were already using it?

Mr. DOWNEY. I think we have some numbers which I can provide for the record, but let me summarize that I think we have a success story here. Since the transit benefit increased, DOT participation at headquarters has increased from 3,600 to now 4,900 participants. Nearly a quarter of the people who have signed up in the increment of growth were previously driving. We had 229 parking passes turned in by the people who no longer drive. While we have had 1,100 people who were in car pools move to transit, we did not lose at all in terms of the average number of people travelling per vehicle.

What seems to have happened is that people moved out of car pools into transit, and other people came into those car pools. So we have, in fact, reduced the number of single-occupant vehicles coming to the Department.

Overall, in fact, as it stands right now, we have vacant parking space in headquarters, 251 of the spaces are not being used, and we have no applications for those spaces. We have set a good example of increasing the occupancy of vehicles and decreasing the single-occupant travel.

Mr. CARR. Well, I am interested in this car pool shift. You know, how many car pool vehicles less are we today than we were before?

Mr. DOWNEY. Jon, do you know the answer to that? The numbers I have do not say how many vehicles there are; it just says of all the vehicles coming in, the average load is the same as it was before the change in the benefit. We should have somewhat fewer numbers of car pools, but the same number of people in them.

Mr. SEYMOUR. I know the number of van pools, which are the larger vehicles, has stayed the same. I don't have the precise number on car pools. Most of the 250 Mr. Downey talked about are single car drivers, but we can get that for the record, sir.

Mr. CARR. So the van pools are the same?

Mr. DOWNEY. Van pools are the same. Total vehicles parked is down. Most of the passes turned in were single-occupant vehicles.

So I guess, by exclusion, the car pools should be the same or up. But we can get you those numbers.

Mr. CARR. Okay.

[The information follows:]

Transit Benefit Program started in the Department of Transportation January 1992. The last full month before that start was December 1991.

	Transpoint	FAA	Nassif	Total
Start of transit benefits, December 1991:				
Carpools	362	450	1106	1918
Vanpools	9	24	39	73
Totals	371	474	1145	1990
To date, April 1994:				
Carpools	407	413	1013	1833
Vanpools	0	14	36	50
Totals	407	427	1049	1833

Mr. SEYMOUR. I could add one different cut on these statistics. When we first started this program, and the transit benefit was in the \$20 range, our numbers show we had about 2,400 individuals sign up for transit benefits who we believe came from DOT cars or DOT car pools. Since then, as Mr. Downey mentioned, we have grown to about 4,800, about a 2,000 increase.

Our assumptions are that those people did not come from DOT cars. Simply going from \$20 to \$60 on the transit benefit, they would have come in for \$20. We believe we have seen an increase in the use of transit from about 2,400 to about 4,800. We believe we got that first wave of current transit users when we first started the program, and that was 2,400.

Mr. DOWNEY. I can make a single report, which is the Deputy Secretary formerly was driven to work by a government driver and a government car. This Deputy Secretary rides Metro and takes the \$60.

Mr. CARR. Well, you get a gold star. Did you sell your automobile?

Mr. DOWNEY. No, it is parked out at Vienna.

OFFICE OF INTELLIGENCE AND SECURITY

Mr. CARR. Good answer. Last year, as you know, the Committee expressed serious reservations about needs for your Office of Intelligence and Security, particularly in light of the need to reduce overhead in the administrative functions.

What can you tell us this year to show how crucial the operations of this office are?

Mr. DOWNEY. We can provide you a report on many of the activities of the office, but as a generalization, we do view it as important. The issue of terrorism, not just with respect to aviation but to all the transportation modes, is something that we are concerned about. The office plays an important role in its liaison with the intelligence community and with other affected agencies.

It goes beyond just the FAA. The office can take a dispassionate view of what the concerns are, keep us advised, be part of discussions on incidents that may occur and decisions that we have to reach.

We did reach a decision within the last year to recommend that U.S. travelers not use a particular foreign airport. That was an activity that the intelligence office was part of.

Coming out of the World Trade Center explosion, we have stepped up our efforts with other modes of transportation to advise them on these concerns. That operates through the intelligence office. We think it does provide an important activity.

We have slightly trimmed down its size to be sure it is operating efficiently. We think it does play an important role in our activities.

CIVIL RIGHTS CONSOLIDATION

Mr. CARR. The fiscal year 1994 conference report requested you to do an analysis on the potential of consolidating civil rights activities. What were your findings and do you have any plans to implement them?

Mr. DOWNEY. We have completed the review. Our newly appointed Director of Civil Rights, once he got on board, has been undertaking that. He prepared a draft report of findings and recommendations. It is now out for comment with the various administrations that would be affected. As you can readily surmise, it is not universally agreed to by those administrations.

There are concerns that have been raised on consolidation versus decentralization. We want to be sure that we are doing an appropriate level of oversight on civil rights, especially internal equal opportunity issues. We also want civil rights concerns to be a major part of our grant-making and review of activities of our grantees. We are in discussions now with the various operating administrations on how best to do that and how best to apply the limited resources.

I think a degree of consolidation somewhere between total consolidation and where we are now would make a lot of sense, because there is now fragmentation. Every agency is involved in a lot of different activities. There is duplication. We think by eliminating that, by layering a number of activities that now exist in the administrations, we can focus on the major issues of what a civil rights office should be about.

But the Secretary has not made a decision yet. As I said in my opening statement, I would hope to have that decision and any budget implications for you before you get to markup.

Mr. CARR. Well, I will want to see them. As you know, last year, I did this on my own initiative. I think somewhere in the outlines of what you just said, something good can happen.

Mr. DOWNEY. We are moving in that way.

Mr. CARR. I don't want to lessen the vigor of the civil rights enforcement on legal compliance by our citizens with civil rights laws in the various modes. On the other hand, internal to the Agency, I don't want a person who feels aggrieved to have to go to an officer that is connected with the modal administrator.

It would seem that for DOT employees to have to lodge a complaint with someone who may have an influence over a civil rights officer's career path is not going to result in the kind of civil rights enforcement for government employees that we really desire.

So I hope that somewhere between the extreme of leaving it where it is or putting it all in the Secretary's Office, there is something we can achieve and be proud of.

Mr. DOWNEY. We would not even want the perception to be there that a civil rights complaint is being chilled by the fact that you would have to take it to the person who you are aggrieved by, so that is a serious concern.

Mr. CARR. Well, I look forward to working with you on that issue.

COMMUNICATIONS DURING RULEMAKING PROCESS

Mr. CARR. We have had a few concerns registered with us by people in the transportation community that organizations that deal with the Department on a regular basis, have experienced a change in the degree of directness of communications with agency officials, particularly after the issuance of a notice of proposed rulemaking. It would seem to me that the Department would be encouraging more, not less communication, particularly since these are usually complicated and oftentimes very technical matters where the agency may, in fact, not be the repository of all technical competence and knowledge; and that new information might become available even after the comment period is closed.

Could you clarify this? I mean, this is an uneasiness which people have expressed to us and it is something that is associated with this administration. It is not a complaint that we had in previous administrations.

Mr. DOWNEY. I am aware of the concern and have had some conversations both with regulated industries and with our internal regulatory staff on the issue. It is a balancing between the fairness and openness of the regulatory process and the assurance that only proper communications go on and the point you made, which is a real one, of understanding completely what the issues are and that only face-to-face communications and exchange can get to the bottom of some of these technical issues.

We have not issued any formal change in policy. I think there may have been some interpretations of policy that led to a perception of closing the door. That is not the style of relationships with industry that we are trying to achieve. We want a rulemaking process that has good results, but also has results that will stand up to scrutiny.

We will arrive at a formal statement on this issue, and I think it will be one that appropriately balances the concerns.

Steve, did you want to add anything to that?

Mr. KAPLAN. I am a little concerned, Mr. Chairman, that there is a sense that there is something new going on here. My understanding is that there has been no change at all in the policy of the Department. The Department of Transportation has a somewhat more careful process in terms of ex parte communication during rulemaking. As the Deputy Secretary indicated, we will look at that.

We are also encouraging, because of the very issues that you raise, the need to, in certain areas, become more educated and be more open to new ideas. We need to understand how to be more effective, offering industry options on how to implement regulatory provisions, offering options to State and local governments and

tribal organizations. We are continuing to press for new kinds of rulemaking alternatives, or to expand the use of them, such as negotiated rulemaking and more public meetings.

One of the problems that we have when a comment period closes and people want to provide additional information is that others who are interested might not be aware that that information had been made a part of the record. It is a balancing act. It is something we are sensitive to, but our real goal is to be much more effective at listening to those who are regulated and to try to do a more effective job.

Mr. CARR. Well, I would hope so. The delegated authority to make rules is much in the manner of the legislative authority of this body. I know there are those in our society who think that there should be no ex parte communications with Members of Congress. I mean, there are some who want to listen in on the party line at all times just because they are the curious sort, I guess.

But rulemaking, whether it is statutory or administrative, is really an ongoing dialogue, and it is not to be confused with an adjudicative-type administrative procedure, where you do have parties with real issues later on.

So it seems to me that you need to foster communications and not be terribly worried about who is going to be offended just because they did not have the last word. There has to be a search for knowledge and truth. So I would hope that you would clarify that with a written statement.

I am just passing on to you a perception that this administration has caused a bit of a chill here. I know in my own dealings with the administration on the new generation automobile and so many other things, there is a real desire to communicate with the industries and do a cooperative thing that has not been done in past administrations, frankly, and I think that is to be commended favorably as well, but there is this other aspect that is nagging at people. I look forward to seeing your clarification.

Mr. DeLay?

Mr. DELAY. Thank you, Mr. Chairman, and I appreciate the Chairman's indulgence by missing this vote. It is a journal vote, so I don't know what shenanigans are going on down on the Floor. Maybe the Republicans are being guerillas again, I don't know. If I were Whip, these things would not be happening.

Mr. CARR. You are my candidate.

TREATMENT OF ATX

Mr. DELAY. But I am glad we started with a little levity because I am very concerned, Mr. Chairman—in fact, I will not take the committee's time for what I think ought to be a lot of time in delving into this situation of the Department of Transportation denying ATX a certificate to start a new airline. To me, it might warrant a whole hearing in itself, because there are so many questions about this issue that ought to be laid out in the record before Congress.

I was extremely disappointed with DOT in what I consider their heavy-handed decision to buck the American system and deny ATX that certificate to start a short-haul airline which would create jobs and economic prosperity in this country. In reading the release that

was sent out by the Department of Transportation, I have to say without equivocation, it looks a lot like the releases that were written—in fact, some using the same words, by ALPA and the machinist unions in this fight that has been going on ever since the closing of Eastern Airlines.

There are several questions and concerns that I feel ought to be covered, and I am just going to pick out a few and see where we go.

In correspondence, particularly with Mr. Patrick Murphy, it seemed that the DOT tried to claim credit for asking the IG to look into an ethical conflict in this process. While it is true that DOT asked the IG to look into the matter, what was not mentioned in your memo to Inspector Schiavo, was the fact that I had written the IG on February 3rd, nearly two weeks before, and received subsequent correspondence from the IG stating that I was responsible for opening the inquiry of the ethical situation regarding ATX and the hearing process.

Also, another Congressman wrote within the next five days of my inquiry: It seems that the Department got a rather late start in the inquiry process after realizing there was an obvious problem.

Mr. Lorenzo, in my opinion, was not treated like any other applicant other than foreign applicants that have come before the Department seeking an operating license. When Secretary Peña testified before this committee in February, I asked him at that time what the Department was doing to give ATX help in the processing of their application, and the Secretary stated that the same information and guidance will be given to ATX, which is absolutely false and was not the case here, as we have come to find out.

In the past, the Department has been very generous, very generous with their assistance to other applicants. In fact, the Department worked very closely with an applicant just last year, Friendship Airlines, whose owner had been previously convicted on tax violations; and the Department approved Friendship and gave them a license with conditions.

My first question is either for you, Mr. Secretary, or Mr. Murphy, why did the Department choose not to work with ATX in the approval of their application? Wouldn't it have been more productive to approve ATX with conditions rather than reject them and cost the taxpayers millions of dollars fighting them?

Mr. MURPHY. Congressman, at the time the application was filed, it immediately raised a number of issues, very complex issues, going to what we call the compliance disposition of the applicant. There was also a large amount of public interest in the case. We knew it was going to be controversial.

We weighed our various options as to how to proceed. We felt that given the large amount of material that was going to come into this record and the controversy, that the best way to proceed would be with a hearing before an administrative law judge.

At the time we issued that decision, Mr. Lorenzo's attorney issued a statement that they welcomed the hearing process before an administrative law judge and that they were supportive of that and thought—through that process—they were sure they would get a fair and equitable hearing. I still believe it was the appropriate

way to get through that very large amount of material that we had to deal with.

ROLE OF FRANK LORENZO IN ATX

Mr. DELAY. That is true, but after the hearing started, they found out there were some very real problems, and in this 75-page brief on the rejection—and I think the brief reflects it—in your rejection of ATX, it is amazing to me there is not really anything else written other than on Frank Lorenzo and the accusation he was a dangerous—had a dangerous management track record.

He is not even listed on the application in a management position. He was listed to have a financial position.

In the press release, inflammatory things like Eastern Airlines and Continental Airlines, Continental being out of my hometown, had problems with operational maintenance and labor-related problems that were among the most serious in the history of U.S. aviation, the Department said. Then it goes on to talk about Lorenzo and attacks Lorenzo graphically and intimates that Lorenzo failed to obey laws designed to uphold safety standards, yet Mr. Lorenzo personally has never been charged with any sort of crime or willfully disobeying any rule or regulation, nor has he ever been found guilty of breaking any laws.

Can you comment on why the Department would focus on Mr. Lorenzo's past management when he is not even listed as having a management position with ATX?

Mr. MURPHY. Yes, sir. When we review the application of an individual or a corporation to start an airline, we typically look at several elements. One, we look at whether the company has the managerial skills and technical ability to run an airline. Two, we make sure it has sufficient capital and resources to begin an operation. Third, we look to see whether it will comply or has a history of complying with laws and regulations imposed by Federal and State authorities.

That is a standard that goes back all the way to the beginning of the Federal Aviation Act in 1938 and continued even after airline deregulation, that we have to screen all these applicants.

Most of this proceeding was focused on the compliance history and the management history of Lorenzo-owned airlines. Mr. Lorenzo had a long history in the airline industry, involved with many airlines, and all of that material was brought back into this proceeding.

We found in our decision that this airline, ATX, would be under the control of Mr. Lorenzo. He was the largest investor, he had hired all the managers, and, in fact, he would be exercising control although not as a corporate officer; and that therefore brought us—

Mr. DELAY. The managers of ATX—I am sorry, I didn't want to interrupt you.

Mr. MURPHY. It was his control that therefore brought the history of his compliance with our laws and regulations into question.

Mr. DELAY. Were the managerial skills of those listed as management in question? Were the managers that actually would be managing ATX, did they have bad histories or any sort of history

like this, being the most serious problems in the USA aviation industry?

Mr. MURPHY. We looked at the history of all of these individuals. The President was Mr. Kolski, who had worked with Mr. Lorenzo in the past in an airline capacity.

Mr. DELAY. For Eastern or Continental?

Mr. MURPHY. He had worked at New York Air, Eastern and Continental Express, all companies controlled by Mr. Lorenzo. So, yes, we looked at the history of all of these individuals.

Mr. DELAY. Did you find, was my question, any sort of lack of managerial skills or a past history, as outlined in your brief, of bad managerial skills amongst those managers?

Mr. MURPHY. The principal focus in our 90-page decision was on Mr. Lorenzo and the companies he managed and how those companies were operated by his managers.

Mr. DELAY. Was there a lack of capital that would be able to sustain this airline, as it was proposed to operate?

Mr. MURPHY. We did not find there was a problem in that area.

Mr. DELAY. Did you find any history of noncompliance with laws by the managers, the listed managers, of ATX Airlines?

Mr. MURPHY. No, I don't recall that we did, other than Lorenzo-operated companies in the past.

Mr. DELAY. So this was just a hit on Mr. Lorenzo, correct?

Mr. MURPHY. I would not characterize it that way at all, Congressman. This was a very extensive review of those companies and how they had operated under the Federal Aviation Act, their involvement in subsequent court matters involving criminal activities and the way maintenance was conducted, Eastern Airlines, and a whole host of activities. I would refer you to our very lengthy order that goes through the whole history of activities that we reviewed.

IG INVESTIGATION OF ATX APPLICATION

Mr. DELAY. My request for an IG investigation was dated February the 3rd and it had two parts in it. The first of my concerns was that the Department may have acted improperly when it relied on outside political influence when deciding to subject ATX's application to an oral evidentiary hearing.

The second of my concerns was that the Department may have exhibited a conflict of interest, or gave the appearance of such a conflict of interest, and therefore, a lack of impartiality when it assigned Mr. William Wagner to be the lead public counsel in the ATX oral evidentiary hearing, who we had found out had a brother that worked for ALPA and had flown for Eastern Airlines.

The Department responded on this latter part, citing several conflicts of interest, but failed to answer the first request. Did political pressure play a role in the Department's decision not to approve ATX?

Mr. MURPHY. We did not deal with that. I certainly did not deal with that in our order because that was not what I had asked the Inspector General to look into.

I had asked her to look into the second issue, as to whether part of our staff had an improper relationship here with regard to this proceeding.

As far as your first issue, I would have to talk to the Inspector General as to her views on that. Clearly, we feel that we were well within our rights and that we moved appropriately to set this matter for a hearing.

Mr. DELAY. Could you at least pass along to the IG that I am still waiting for an answer regarding the political pressure and its influence on this decision?

Mr. MURPHY. I certainly will.

ETHICAL VIOLATIONS RELATED TO ATX

Mr. DELAY. With regard to the obvious ethical violations that were found by the IG and acknowledged by your Department, what is being done to pursue these serious violations?

Mr. MURPHY. Well, first of all, I need to update the record on this matter.

Following our offer to ATX Corporation to have another hearing, because there was the possibility of an appearance of a conflict of interest, we referred this question to the United States Office of Government Ethics to review the finding of our Inspector General. We received a report from the Office of Government Ethics, dated March 30th, in which they find that there was no conflict of interest here or appearance of a conflict of interest.

So, in my opinion, extending the opportunity for a second hearing for Mr. Lorenzo was in effect going above and beyond what we needed to do to clear the air on this matter. Since we have received that ruling from the Office of Government Ethics, I am not sure that anything is being done with regard to the employee involved.

Mr. DELAY. Well, I have to tell you I don't blame Mr. Lorenzo. When he saw the direction this was obviously going to go, the concentration on his managerial skills and the total disregard for what the company was actually trying to do, I would not want another hearing either. They spent over a million dollars and a whole year trying to get this certificate, and another hearing would have taken them another million dollars and another year.

This fight that the Department has chosen to pursue against ATX has obviously cost the Department a great deal of time, effort and taxpayers' dollars; and I view the decision by the Department as an abuse of power, and I want to know what it cost the American taxpayer.

LEGAL FEES

Could you supply for me just exactly how much money has been spent by the Department, to date, fighting ATX Airlines?

Mr. MURPHY. Yes, we can.

Mr. DELAY. Thank you. Because of the Department's decision not to work with ATX and because they have chosen to disapprove their application, ATX has taken the case to an appellate court, so the fight will continue for the Department.

Do you know how much money the Department will plan to spend fighting what the Department perceives as a dangerous problem and how much more will be spent fighting Frank Lorenzo to pay back those that are interested in destroying him?

Mr. MURPHY. I certainly do not know what our legal fees will amount to in pursuing this matter in the courts. To some extent,

that is a function of how Mr. Lorenzo chooses to proceed with this matter.

Mr. DELAY. Well, I can tell you that Mr. Lorenzo is going to defend his rights as an American against the abuse of an overzealous department; and he will do whatever it is going to take to defend his rights against political pressure—and that is what it seems to me.

Listen, I understand how this place works, but we ought to all lay out on the table what is working. A letter was sent signed by 100-some-odd Members of Congress opposing Mr. Lorenzo. And you can say there is no appearance of conflict of interest, but when you have a brother working for ALPA—and I am sure brothers do not ever talk to each other about anything, particularly an industry that they are both involved in—that that would not appear to be any sort of conflict of interest.

Mr. Chairman, thank you for your indulgence.

Mr. CARR. Mr. DeLay, thank you.

[The information follows:]

The total cost to the Department of Transportation of processing the ATX case was approximately \$567,000. This includes the salary cost of staff time from the General Counsel's office and the Office of the Assistant Secretary for Aviation and International Affairs, the cost of administrative law judges and related hearing costs and printing of the final order.

Mr. CARR. Mr. Wolf.

SLOTS AT NATIONAL AIRPORT

Mr. WOLF. I thank you, Mr. Chairman.

Mr. Downey, welcome, and it is good to see you. Because of the time, I will try to go rapidly through the questions and maybe some of them can just be answered yes or no. I think I know the answers; I just want some of them on the record.

The first one is, as you covered in your testimony with regard to the slots—and we chatted about that in our office—on page 3 you talk about the four slot control airports.

Just to get it on the record, is it your understanding that if you were to change the National Airport slot limitations would take legislation?

Mr. DOWNEY. That is my understanding, yes.

Mr. WOLF. And does your General Counsel agree with you there?

Mr. KAPLAN. Yes, sir. My answer is also yes.

Mr. WOLF. Good, thank you. For the sake of the people of Arlington, which I stressed to you are not in my district anymore, I hope no change is proposed. The entire region—Maryland, Prince George's County—worked out this compromise and it would be a mistake to change it.

FEDERAL ASSISTANCE FOR GAMBLING CASINOS

Secondly, and you do not have to answer this, and I do not expect you to, but could you go back and see if there are any projects, Federal projects, being funded to aid gambling casinos anywhere?

There is a great outgrowth of gambling casinos. I see Chicago is just becoming gooey-eyed over the casinos, but I want to make sure we are not spending any Federal funding for interchanges, access, and things like this.

You do not have to answer now.

Mr. DOWNEY. We can provide that for the record. There may be circumstances where a facility that is being built for gambling would change traffic patterns and that a local determination would call for a highway improvement. But there is none I am aware of that is specific, but we will get an answer for the record on that.

Mr. WOLF. If you could, I would appreciate that.

[The information follows:]

FHWA has not approved any interchanges or projects specifically to provide access to individual gambling casinos. However, there have been projects for new or revised interchanges for the purposes of reducing congestion, mitigating safety issues, and for improving general public access in areas where gambling exists, such as in Las Vegas. Any such projects will potentially benefit gambling concerns as well as any other existing or new business development. In the case of granting additional access to the existing Interstate system, the FHWA's decision is based primarily on the safety and operational needs and whether or not the existing facilities are capable of accommodating the existing and future traffic volumes, not on the needs of an individual property owner.

WMATA PLATFORM STRIPS

Mr. WOLF. Thirdly, and this is a difficult issue, Metro is here, and that is why I thought I would raise it now. I am referring to the barrier safety issue regarding people tripping or the safety of the blind. I honestly do not know what is the right thing to do.

I will respect your decision because it is a tough one. I would ask you to be very, very careful.

I would also ask that the person who is responsible for it be pulled off the case. It was indicated to me that Bob Ashby, is looking at it now? Is he the one in the Department?

Mr. DOWNEY. Is he the rulemaker on this?

Mr. KAPLAN. He is in our office, and he has purview of ADA and related matters.

Mr. WOLF. I am not questioning Mr. Ashby's integrity or anything else like this, but he ought to be pulled off this case. This testimony he gave last year was given to me.

It is my understanding the Bush administration pulled him off the case, but he is now back on. But I saw a statement that he made, and again, I am not questioning his integrity—I want the record to state that—but when he was testifying before the Washington Metropolitan Area Transit Authority at a public hearing on a key station plan for the WMATA region to comply with the Americans for Disabilities Act—and I think we should definitely comply—he was asked a question, and he said:

"Focusing for a moment on equivalent facilitation, the point of tactile warning strips is that you have to be able to pick up a real difference with shoes, with a cane. Just from my own personal observations and my observations of walking around the stations with my wife, as well as talking with a lot of other people, the granite strips really don't do that job very well."

He goes on and to say: "My impression is kind of what John Nance Garner once said about the vice presidency, that it ain't worth a warm pitcher of spit."

Now, if he really said that, and this is in the record—are you all aware of him saying this in the record?

Mr. KAPLAN. No, sir, I will say he is a terrific lawyer and it does not sound like something he would have said.

Mr. WOLF. Let me just give you this here; this is the hearing transcript.

Mr. KAPLAN. Are you sure he was not talking about how the Mets play baseball?

Mr. WOLF. If he said that, and that is the transcript that was given to me, he should be given another assignment. I think you should put someone on who is objective and fair.

Again, I don't know what the right thing is. I think you should do the right thing. If they come up with a good idea—and my staff says they have come up with a new approach now—just look at the law, get your best people. Apparently the new proposal is to install in all Metro stations either an 8-inch strip of flame-finished granite that matches our current edge or an 8-inch strip of textured granite immediately behind the existing 18-inch granite edge.

The current light situation helps people who are hearing-impaired. I don't know. I guess I just want to know that the person looking at it has not already made a judgment. And if somebody said that, my sense is that they have already pretty much made up their mind.

I am sure you have a lot of other work there to do. I just do not think a person that says those things should be the one making this decision.

Again, personally, let me just say—and Metro is in the room—that I do not plan on challenging what you come up with, because it is so complicated and it is a tough issue, and I do not feel like I would have the background to do it, so I will respect whatever you come up with. But in the process of respecting it, I really want to know that the people involved were not biased. I get very passionate about issues, and I care very, very deeply, and I speak out on issues. But, clearly, if I were going to be in the General Counsel's office looking at it, I think it would be inappropriate for me to consider gambling because I am opposed to gambling. So if you gave me the decision to make as to whether there should be a new intersection at Trump Plaza in Atlantic City, it would be inappropriate; or to look at whether casino gambling should come to the State of Virginia, I would be opposed to it.

So if I were in the General Counsel's office, I probably ought not be given that assignment. And in that sense, Mr. Ashby made a statement, and it is my sense that is the same situation.

Again, let me just say I am not questioning Mr. Ashby's integrity, and, I like people who have passion for issues and compassion for ideas. As a former lawyer, I just think people whose job is judicial in nature should not make such a comment.

Do you have any comment about that?

Mr. KAPLAN. Obviously, it is something I will commit to you to look into and to address.

[The information follows:]

Mr. Ashby, an attorney in the Department of Transportation General Counsel's office, plays an important role in the development and implementation of the Department's regulations carrying out the Americans with Disabilities Act. However, because of Mr. Ashby's personal testimony on this WMATA issue, he was recused from involvement in the first WMATA request and has been recused from involvement in the current request.

Mr. DOWNEY. The warning strip issue and the whole ADA is one we have spent a lot of time on. We have the same goal that you have; we want to do the right thing.

Mr. WOLF. I know you do. Let the record show I do not question that. I think probably what you do is not going to make everybody completely happy because there are dollars involved, and there are visually impaired and hearing impaired and those things sometimes conflict. So you will have to be like Solomon in the Old Testament. Hopefully, you will have the wisdom to do the right thing. And, again, I do not plan on questioning it. I just want to make sure the person doing it has not already made up his or her mind.

EMPLOYEE BUYOUTS

On the buy-out question, why are DOT employees signing up in record numbers; do you have any sense?

Mr. DOWNEY. I think it is a recognition of where we are going in terms of the right sizing of the Department over the next several years. We do expect to reduce our forces by 10 to 12 percent.

I think this is pretty much the same experience the Defense Department had. People look at what their options are. If they have real opportunities, they will take advantage of the buy-out and move on rather than take the risk that later on they might be hit with a reduction in force or some other termination.

Those that are planning ahead are taking the opportunity to move.

Mr. WOLF. Are many of the senior people at the FAA taking part in the buy-out?

Mr. DOWNEY. There are a fair number. I have not gotten a complete breakdown as to level, but most of the buy-out requests that we have gotten so far are at FAA. I know within that there are some fairly senior people.

Mr. WOLF. If the Committee could get a breakdown of what different agencies—

Mr. DOWNEY. Yes, we can, agency and level. At this point, we have only offered the buy-out to fairly senior people. Given the need to recoup the costs of it and the lateness of the year, we can only do the buy-out at fairly senior levels.

It is also, frankly, part of our plan for restructuring. We are trying to eliminate some of the layers of management, some of the degrees of supervision, and one way to do that is with a buy-out.

Mr. WOLF. It troubles me a little bit. I have mentioned at other hearings that I think the buy-out thing is probably not as good as people think it is. I think it is probably being directed at middle-aged men and women who are at GS-15 and above. It somewhat says to me that government, which I don't agree with, thinks these people have not necessarily been particularly relevant or important and, therefore, they are kind of moving out.

It is targeted—had it been targeted across the board—why should a GS-7 not have the right to take advantage of this? It is somewhat discriminatory in the sense it is targeted toward middle-aged men and women. That is the first half of the discrimination; and secondly, it is not eligible for a GS-9. Does a GS-9 not have the right? And, frankly, under what I see, they do not have the right.

What about a 7?

So you are kind of targeting, and where you are going is where the dollars are; and having been a former Federal employee, that many times is where the good people who are running the agency and doing a relatively good job are. So I hope you will be sensible with regard to that.

Mr. WOLF. The bells have rung and I will only ask one additional question.

Mr. DOWNEY. If I could comment on the buy-outs. Come October, we will have another window. We may offer some opportunities below the higher levels. It really will have to do with the shape of the organization we are trying to create.

Mr. WOLF. I think you should. I am going to make that recommendation, not only to this Department, but across the board. A man or woman who is a GS-9 certainly has equal value as anybody who is a 15 or 16 or 17—value in the eyes of anybody, their employer, what they do, the value of their work. And I think that your offer should be offered across the range and not to just the select.

One, it gives the impression they are hunting these people, and that does not make them feel particularly good; and secondly, it does not make the others who are not eligible for it feel good.

INSPECTOR GENERAL BUDGET CUTS

The other issue is, I would hope—and I hope the Committee would reject what you are recommending—you are talking about a 7.3 percent cut in the Office of Inspector General.

When the Secretary came up here, he somewhat misled us in the sense he indicated all offices are being cut. Yesterday, Mr. Linton explained he was going to be adding some people which certainly has merit, but when you begin to cut the IG, I think you begin to cut down to some very, very important areas.

Do you have any thoughts about that?

Mr. DOWNEY. We discussed that somewhat before you were here.

Mr. WOLF. I am sorry.

Mr. DOWNEY. I will reiterate. Our goal is not to reduce the effectiveness in any way of the IG. We find the IG's work to be very helpful. Discussions we had with the IG were, as we have had with all our agencies, whether there are ways to work more effectively, whether all of the layers of regional supervision that are in place now and some of the administrative functions could be streamlined to focus on the meat of the work, which is the audit and investigation function.

We also, in developing the multiyear plans for our various agencies, see the IG with this year's budget where they ought to be. We would not look at that agency again as we continue the downsizing of the Department.

Mr. WOLF. That is good. A quick examination looks as if they have probably taken, on a percentage basis, a larger hit than most of the agencies.

Mr. DOWNEY. That may be true this year, but certainly it would not work out over several years.

Mr. WOLF. Good.

Well, let me just ask the rest of the questions for the record. I thank you very much for your time.

Mr. CARR. Mr. Coleman.

Mr. COLEMAN. There was legislation introduced in the last Congress barring anyone who has taken particular industries into bankruptcy from entering into that industry again. We spend a lot of tax money to hold hearings, accommodating those who have been in the business before. A lot of us think that anyone who has taken particular industries into bankruptcy ought to be prohibited from entering again, then we will not have the necessity and cost of hearings.

I am one of those who think we should be considering such legislation. I would be interested in knowing the administration's position on such legislation.

Mr. DELAY. Would the gentleman yield on that?

Mr. COLEMAN. Sure, I will be happy.

Mr. DELAY. If we took that kind of attitude, Mr. Macy, who failed seven times before his store in New York took off, would never have been successful and beneficial to society and to the economy.

Mr. COLEMAN. We are waiting for number eight.

Mr. DELAY. John Grisham, who had 753 rejection slips before he published over 500 books, would have never been the author who has provided fascinating reading for all to enjoy.

Mr. COLEMAN. But he does not carry my constituents from El Paso to the Dallas-Fort Worth Airport.

Thank you, Mr. Chairman.

Mr. CARR. And thank you, Mr. Downey. We are delighted to have you here with all of your assistants, and I think we will excuse you at this point. There are a number of other matters that I would like to talk with you about. They would be appropriate in a hearing setting, but we have a vote now, we are at the lunch hour, I have another meeting to attend, and several of the other Members do as well.

We will be in recess until 1:30, and then we will hear from WMATA and once again from Mr. Linton at FTA, and then I will discuss some of those other matters with you in a day or so.

Mr. DOWNEY. Thank you, Mr. Chairman.

[Questions for the record:]

MODAL PERSONNEL REDUCTIONS

Mr. CARR. In order to meet the Department's share of government-wide personnel reductions, you are proposing a total cut of 1,852 staff years in the fiscal year 1995 budget. Department-wide, this is a reduction of 1.7 percent. However, some agencies did much better than others:

Better than Average: Federal Transit Administration (+4.1%); RSPA (+3.4%); Federal Railroad Administration (+1.5%); Office of the Secretary (-.9%); Federal Highway Administration (-1.4%); Coast Guard (-1.4%).

Worse than Average: Inspector General (-7.3%); St. Lawrence Seaway (-3.5%); NHTSA (-2.3%); Federal Aviation Administration (-2.2%). What priorities did the Department set in allocating these reductions among the modes?

[The information follows:]

The Department committed to achieving the 12 percent reduction as a whole by fiscal year 1999.

Each operating administration (OA) and the Office of the Secretary were asked to prepare a plan to reduce their FTE by 12 percent from the fiscal year 1993 base. Those plans analyzed the potential impact of such reductions on the accomplishment of the OA/OST mission.

After reviewing those plans, the reduction was redistributed to recognize the budgetary increases/decreases in the fiscal year 1995 Budget. Where additional resources have been added to an OA in fiscal year 1994 or requested in fiscal year 1995, the decision to make that investment was fully acknowledged and cuts were taken from that increased base. Where resources were reduced in fiscal year 1994 or proposed for reduction in fiscal year 1995, the impact of further reductions was examined.

OST, USCG, FAA, FHWA, SLSDC, MARAD, OIG, and BTS are all subject to a full 12 percent reduction from the fiscal year 1993 base. FRA, NHTSA, and RSPA are reduced from the fiscal year 1995 request. FTA is held at fiscal year 1995 request level in recognition of the need to ensure effective grants management.

DOT DOWNSIZING PLAN

Mr. CARR. The problem is, the administration and Congress agreed to reduce the government workforce, but we haven't agreed to cut any of the government's activities. With this in mind, one way an agency could meet their mandated reductions would be to contract out certain activities. We could create the ironic situation where "reinventing government" costs the government more even as the Federal payroll is reduced. For example, last year we saved \$6.1 million in the FAA by replacing contracts for field maintenance personnel with government employees.

The GAO recognized this potential problem in a March 1994 report, where they said:

OMB will need to resolve a potential conflict between the NPR's objective of providing agencies greater flexibility in accomplishing their missions and the current efforts to downsize the government. On one hand, the NPR has advocated (1) giving managers the flexibility to obtain needed services from the best possible source, and (2) eliminating personnel ceilings and permitting managers to manage to budget. On the other hand, the administration has also stated its commitment to reducing the Federal workforce by 252,000 employees. Such downsizing could, in effect, create new personnel ceilings rather than eliminate them, with agencies finding themselves in a position of having to contract out to meet the downsizing goal regardless of what cost comparison studies show.

How is DOT ensuring that these personnel reductions aren't costing us more money?

[The information follows:]

Each operating administration (OA) is being required to prepare a streamlining/downsizing plan to detail how they propose to achieve the allocated reductions. Those plans will identify where OAs plan to contract out any operations to achieve the reductions.

Should an OA plan to downsize through contracting out—as FAA is doing with level I Towers—they will be required to prepare a cost analysis that shows the action is in the best interest of the government.

In addition, the "buyout" legislation requires that cost comparisons be conducted if functions which are being "bought out" are then contracted out. Each OA is also being required to prepare a plan for "backfilling" (including by contract) any of the functions.

At this time, the only OA which has identified contracting out as a way to help achieve the downsizing goals is the FAA with level I towers.

FAA PERSONNEL REDUCTIONS

Mr. CARR. Almost two-thirds of the fiscal year 1995 staffing cut, 62 percent, has been allocated to the FAA, which would lose 1,157 staff years. Overall, this looks like a 2.2 percent cut, which would seem manageable. However, according to recent testimony by Secretary Peña, the FAA is exempting approximately 30,000 employees they consider to be safety related. This leaves about 22,000 personnel who will be subject to the reduction of 6,000 by the end of fiscal year 1999, a 27 percent cut.

Are you suggesting that the FAA's personnel budget is so bloated that we have been approving 27 percent too much funding for personnel in these offices over the past few years?

[The information follows:]

Obviously the Department is not suggesting that Congress has approved 27 percent too much funding for non-safety personnel in FAA offices over the last few years. However, following the President's direction to reinvent government, I do believe that we can achieve personnel reductions by reengineering the way the Department does business. In FAA, as in other parts of the Department, we will endeavor to increase the span of control and empower employees. We will eliminate low priority activities and reduce the workload in administrative areas, thereby doing more with less.

The exemption of the safety related workforces in FAA was a difficult but necessary decision. As the Secretary, I assure you that aviation safety is not, and will not be compromised. The impact on the non-safety workforce will be extensive, but we will work with FAA to manage the reductions.

Mr. CARR. What types of activities would have their staffing cut by 27 percent? Can you give us some examples?

[The information follows:]

The budget projects reductions of 3,079 FTEs in FAA between fiscal year 1993 enacted levels and the President's fiscal year 1995 request.

The reductions will come from attrition and buyout legislation. FAA has had a hiring freeze in force since June 1993. The buyout legislation has resulted in 1,919 approved applications for a buyout as of April 8. It is expected that about 2,500 employees will opt for the buyout and retire.

These reductions will be managed through fundamental changes in the way the agency conducts business. Consistent with the President's goals, we are committed to streamlining the agency through reductions in overhead and support functions, reducing management layers, and empowering employees.

Although there will be some reductions to the safety workforce in fiscal year 1995 (- 223 from the Comptroller workforce and - 206 from Field Maintenance), the majority of the reductions will come from the non-safety workforces such as headquarters administration and human resource management.

The final allocation of the reductions will take into account the impact of the buyouts, the selective backfills that will be required, additional attrition, and streamlining efforts currently being studied.

Our intent with these FTE reductions is not to cut programs, but rather to cut middle management and layers of review. These reductions should result in significant streamlining but not cutbacks or eliminations of essential program.

CLASSIFICATION OF FAA AIRPORT PERSONNEL

Mr. CARR. Why have personnel in the FAA's airports program been classified as a "special interest" part of the safety workforce, and therefore exempted from personnel reductions?

[The information follows:]

The fiscal year 1995 President's Budget request includes no personnel reductions for the FAA Airports program. These employees are critical to FAA's mission due to their work with grants in the safety, security, and capacity enhancement areas. For example, these employees are responsible for safety standards in the design of airports which affects safety, security, and capacity.

As previously stated, the personnel reductions that FAA will undertake will come from attrition and buyout legislation. These reductions will be managed through fundamental changes in the way the agency conducts business. Consistent with the President's goals, we are committed to streamlining the agency through reductions in overhead and support functions, reducing management layers, and empowering employees.

SENIOR LEVEL REDUCTIONS

Mr. CARR. The President's Executive order specifically requires that at least 10 percent of the reductions come from the senior executive workforce. To make progress toward this goal, the Department plans to eliminate 8 percent of its senior level positions by the end of fiscal year 1995.

How will these reductions be allocated? For example, will certain jobs be exempted, and certain agencies favored?

[The information follows:]

Our target for reduction of the senior workforce is 239. This is based on 10 percent of the original 4 percent FTE cut required by the President's Executive Order. The reduction is taken against a senior level population of 8,183.

We have distributed the 239 senior level target reduction numbers to each of the operating administrations (OAs) based on their prorata share of senior levels on board as of September 30, 1992.

With the exception of the Federal Aviation Administration (FAA) which decided to exclude all air traffic controllers, the remaining OAs are not excluding any other positions.

INSPECTOR GENERAL STAFF REDUCTIONS

Mr. CARR. Since most of these positions are responsible for planning, management, or supervision, it would seem that with these reductions, the Department's programs will have less internal oversight, and therefore more potential for waste, fraud and abuse. Yet your fiscal year 1995 budget also proposes harsh cuts to the Inspector General's staff. In fact, the IG would lose 7.3 percent of her staff in one year under your proposal. Shouldn't we be protecting the IG staff from undue reductions as long as we are shedding the middle layer of management, which is the first line of defense against government waste, fraud and abuse?

[The information follows:]

Our budget proposals for the Office of the Inspector General are not intended to undermine the ability of the office to investigate government fraud, waste and abuse. The areas targeted for reduction in the OIG budget were identified by the Inspector General with the aim of protecting audit staff in the field and all investigation staff.

STATUS OF 1994 BUYOUTS

Mr. CARR. Can you update us today on the status of fiscal year 1994 buy-outs.

[The information follows:]

The Office of the Secretary offered a buyout window from April 1 through April 15, 1994, to grades 13, 14, 15 and SES employees. A total of 36 individuals decided to avail themselves of this opportunities: 3 SES; 13 GS-15; 13 GS-14; 7 GS-13.

The Federal Aviation Administration is offering a buyout from April 1 through May 1, 1994. FAA is offering the buyout to all grade levels in Headquarters, Regional Offices, the Aeronautical and Technical Centers, and all other FAA Field Activities. Selected FAA workforce in those locations were not offered buyouts; for example non-supervisory controller workforce (except Level I towers) were excluded from buyouts, non-supervisory airway facilities technical employees, and others. To date, FAA has offered more than 2,200 buyouts.

The Maritime Administration offered up to 25 buyouts this fiscal year. As a result, the following grade levels availed themselves of buyouts: 6GS-15; 6GS-14; 5GS-13; 1GS-11; 2GS-08; 1GS-07; 1GS-04; 3 WG.

The Research and Special Programs Administration is offering buyouts to GS-15 level employees in the Offices of Airline Statistics and of Automated Tariffs. Two GS-15 employees have availed themselves of buyout.

The Federal Transit Administration is offering buyouts through May 3, 1994, to Senior Executive and GS-15 employees. There are no statistics yet.

All other operating administrations will be offering buyouts in fiscal year 1995. OST, MARAD, RSPA, and FTA, may also open windows during fiscal year 1995.

FAA VSIP and VERA Employee Coverage

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Location	Work Force Offered VSIP/VERA	Work Force Not Offered VSIP/VERA
Headquarters, Regional Offices, Aeronautical Center, Technical Center	ALL employees except specific exclusions in next column	Aviation Standards: Doctors Flight Standards and Aircraft Certification: non-supervisory field employees assigned to or collocated with a headquarters office Air Traffic: non-supervisory Controller Work Force (CWF) employees in the Air Traffic Control System Command Center Airway Facilities: non supervisors at GS-13 and below funded under the Facilities and Equipment appropriation Airway Facilities: technical employees in the Operation Support Service
All other FAA Field Facilities	Air Traffic: All non-Controller Work Force (CWF) employees, CWF employees in Level I towers, CWF first level supervisors, and employees in National Communications Center (NATCOM) in Kansas City Airports, Civil Aviation Security: All employees Airway Facilities: All Supervisors, managers and non-technical employees plus all employees in NATCOM Flight Standards and Aircraft Certification: Supervisors and Managers	Air Traffic: Non-supervisory CWF employees in Level II and above towers and in en route centers (no exclusions) Airway Facilities: Non supervisory technical employees Flight Standards and Aircraft Certification: Non supervisory employees including those at international field offices and at Aircraft Certification Division in Brussels

WORKERS COMPENSATION

Mr. CARR. DOT currently ranks third among civilian agencies in total workers' compensation payments, and those payments are rising rapidly. In many cases, employees receiving these payments are cleared to return to work, only to find that their position is no longer available. Therefore, the individuals remain on the workers' compensation rolls, and their salaries are billed to the Department. Finding jobs for these individuals would seem to be in the best interest of "reinventing government," since we are currently paying them not to work, even though they are physically able to do so.

In our report on last year's bill, we encouraged DOT to consider establishing set-aside budgetary resources to return employees to work who are currently receiving workers' compensation payments but have been medically cleared to return to work.

What resources are set aside in the fiscal year 1995 budget to accomplish this objective?

[The information follows:]

First, let me provide a little background on our workers' compensation bill. Of our \$88 million costs, approximately \$72 million is for compensation payments paid directly to individuals who were injured on the job. The balance goes to medical bills and compensation payments to survivors of employees who died as a result of work-related injuries. These latter costs would not be reduced through a reemployment effort. Of the \$72 million direct compensation payments, approximately \$52 million is paid to individuals who currently are age 55 or older. Eighty-one percent of these individuals were injured prior to 1980. The vast majority of these individuals are not strong candidates for reemployment, especially the high-cost air traffic controller cases because they exceed the mandatory ATC separation age of 55. It is also significant to note that more than a third of these recipients were eligible to retire at the time they were separated due to their work-related injuries.

So what we are realistically looking at is the pool of individuals under age 55 who are receiving the other \$20 million. Of that, \$10.7 million is going to air traffic controllers.

In fiscal year 1994 we did begin a limited pilot program to encourage those operating administrations with the highest costs to seek reemployment opportunities for compensation recipients. Early efforts had mixed success, but they faded when downsizing requirements were imposed. These administrations have been involved in efforts to reduce, rather than expand, their employment rolls. In FY 1995, we are planning very limited hiring, and primarily in selective skills areas, so we expect reemployment opportunities to continue to be limited.

Over the last 5 years the Department's workers' compensation costs have increased at a lower rate than the Government-wide average. In spite of the limited hiring prospects for fiscal year 1995, we will continue our efforts to control our costs, including exploring ways to encourage reemployment.

Mr. CARR. Currently, employees receiving workers' compensation may continue to stay on the workers' compensation rolls well after they pass retirement age. Since workers' compensation payments are more lucrative than Federal retirement formulas, the workers have no incentive to get off the rolls and retire.

In last year's report, we told DOT to consider ways to encourage retirement rather than remaining on the workers' compensation rolls for those eligible employees. What steps have been taken in this area?

The House report asks DOT to consider removing current recipients from the OWCP rolls as a means to reduce the Department's costs, through (1) reemployment and (2) encouraging conversion to the retirement rolls. Neither of these is a realistic option at this time.

With respect to returning employees to work, we began a limited pilot program to encourage those administrations with the highest bills (FAA, USCG, MARAD) to seek reemployment opportunities for compensation recipients. Early efforts had

mixed success, due primarily to difficulty in finding suitable work for which recipients could qualify.

For example, many MARAD and USCG recipients were skilled blue collar workers in ship yard settings. There are limited opportunities in these work settings to identify or create positions with limited physical demands. In the case of FAA, their high-cost cases are former air traffic controllers. Many of these recipients do not meet the age restrictions (i.e., mandatory separation at age 55) or medical qualifications required for reemployment in that occupation, and they generally do not have the skills for other work in the agency.

This pilot reemployment effort quickly faded when downsizing requirements were imposed. These administrations have been in an employment freeze of some sort for much of the fiscal year, and are involved in efforts to reduce rather than expand their employment rolls.

There is no viable incentive to encourage recipients to move to the retirement rolls. They are entitled to select whichever program they wish, and workers' compensation is virtually always more financially beneficial.

We would support legislative efforts that would either require conversion to the retirement rolls at the time the recipient would otherwise be eligible, or would reduce workers' compensation at the time of retirement eligibility to a level comparable to what the recipient's annuity would have been but for the injury.

Although efforts to reemploy recipients have been limited, we have been placing increased emphasis on up-front case management, i.e., reducing the number of cases that move to the compensation rolls. Efforts have included a more aggressive occupational safety and health program, efforts to educate managers about the costs associated with the program, and more emphasis on controversion of cases.

By the end of this fiscal year, we plan to have the DOT Workers' Compensation Information System (WCIS) on line and available to workers' compensation specialists in every personnel office. For the FAA, we have designed a special program in WCIS that breaks out their costs by straight-line organizations, such as air traffic and airway facilities, rather than by administrative organization (e.g., region).

AIRPORT REVENUE DIVERSION SURVEYS AND INVESTIGATIONS

Mr. CARR. Mr. Downey and Mr. Kaplan, I believe we have furnished the Department with a copy of the Surveys and Investigations study of airport revenue diversion, dated December 1993. I have called on the Department to make necessary changes which stop the use of the grandfather "loophole" and improve data collection and enforcement of the revenue diversion statute.

In general, what is your response to the S&I report and what have you done to address their findings?

[The information follows:]

The Department agrees with the need to prevent unlawful airport revenue diversion, to improve data collection and to assure enforcement of the revenue retention grant assurance.

The Federal Aviation Administration has an action plan which includes the following: identify corrective actions for those airports considered as potentially in non-compliance; initiate enforcement actions in the absence of voluntary compliance; in conjunction with the OIG, update the single audit program to include a comprehensive audit procedure for the airport revenue retention compliance requirement; develop indicators of potential noncompliance; and develop language for grant assurances authorizing special reports in the revenue diversion area. These activities are intended to improve data collection and enforcement of the revenue retention grant assurance.

The FAA and the Department's OIG have conducted a review of the S&I team's findings, on an airport-by-airport basis, and have taken the following actions: City of Los Angeles: the OIG has scheduled a FY 1994 audit of the Airport; City of Palm Springs: the City has discontinued charging the airport an in lieu of property tax, in light of DOT's determination that such a fee violates the revenue retention requirement; FAA is working with the city on the issue of the proper amount of city reimbursement to the airport; Port of Oakland: FAA and OIG have arranged for an MOU between the city and the port regarding documented costs for city services; City of Chicago: the OIG has scheduled a FY 1994 audit report on use of airport revenue for the homeless; Indianapolis Airport Authority: FAA is investigating the basis for state charges at the airport; Wayne County: the OIG has scheduled a FY

1994 audit report on country charges at the airport; City of Philadelphia: the OIG has scheduled a FY 1994 audit report on the allocation of parking administration expenses; and City of Austin: FAA will be involved in city/airport matters during development of the lease terms at the airport scheduled to open at Bergstrom Air Force Base.

GENERAL COUNSEL'S INTERPRETATION OF AIRPORT REVENUE
RETENTION EXCEPTION

Mr. CARR. Let me read one quote from that report and ask you to comment:

A DOT official advised the legislative history of Section 511(a)(12) of the Airport and Airway Improvement Act indicates the exception applies 'exclusively or at least primarily' to airports that are part of a unified port authority * * * although the legislative history demonstrates Congress originally intended the exception to apply only to port authorities, the Office of General Counsel believes such a restrictive interpretation of the law would be inequitable.

Mr. Kaplan, by what legal authority does the Office of General Counsel substitute its concept of fairness and equity for that of the United States Congress?

[The information follows:]

The Office of the General Counsel has concluded that the grandfather exception to the revenue retention requirement applies to any owner or operator of an airport who meets the terms described in the statute. We have based this determination on the statutory language and on the relevant legislative history.

As we explain more fully below, while Congress was presented with the specific difficulties experienced by ports authorities (the need to maintain the ability of those authorities to continue their funding practices without having to devote airport revenues exclusively for airport-related purposes), it crafted the provision more broadly to except those airport owners or operators with governing statutes or debt obligations requiring their airport revenues to be used in part to pay for debt obligations or for other facilities of the airport owner/operator. This statutory exemption permitted airport owner/operators to continue their current financial arrangements without the need to modify their existing funding practices.

Section 511(a)(12) of the Airport and Airway Improvement Act of 1982, as amended, (49 U.S.C. App. 2210(a)(12)) provides the following exception to the provision that airport-generated revenues must generally be expended for airport or airport-related purposes:

except that if covenants or assurances in debt obligations issued before September 3, 1982, by **the owner or operator** of the airport, or provisions enacted before September 3, 1982, in the governing statutes controlling **the owner or operator's** financing, provide for the use of the revenues from any of **the airport owner or operator's** facilities, including the airport, to support not only the airport but also **the airport owner or operator's** general debt obligations or other facilities, then this limitation on the use of all other revenues generated by the airport (and, in the case of a public airport, local taxes on aviation fuel) shall not apply.

(emphasis supplied).

The legislative history shows that Congress was concerned with disturbing the financing arrangements of airports that were part of unified ports authority, and stated that that those airports would be exempt from the revenue retention requirement.

Airports that are part of a unified ports authority are exempt from this [*i.e.*, the revenue retention] requirement if covenants or assurances in previously issued debt obligations or controlling statutes require that these funds are available for use at other

port facilities.

(H. R. Conf. Rep. No. 760, 97th Cong., 2d Sess. 712 (1982); S. Conf. Rep. No. 530, 97th Cong., 2d Sess. 712 (1982).

This mention of unified ports authority in the Conference Report does not elevate those airports to the unique position of being the only airport owner/operators grandfathered from the revenue retention requirement. It serves, instead, as an example of the limited class of airport sponsors exempted.

The legislative history to the 1987 amendments to section 511(a)(12) provides another indication that the grandfather exception has broader coverage than only ports authorities. In clarifying that the grandfather exception was limited to sponsors with pre-September 3, 1982 debt obligations or legislative provisions, Congress referred, not to "unified ports authorities", but to "*certain airport owners or operators* [that] had enacted legislation or had issued general debt obligations. . . which made it difficult or impossible for *those owners or operators* to represent that all airport revenues would be used at the airport. . . " (H. Rpt. No. 100-123(II), 100th Cong., 1st Sess., reprinted in 1987 U.S. Code Cong. & Admin. News 2613-14).

The legislative history suggests congressional awareness that airport owner/operators, in addition to those that were parts of unified ports authorities, had financing and other arrangements, pre-dating the enactment of the AAIA which necessitated their exemption from the airport revenue retention requirement. To avoid disturbing these relationships, and to preserve the *status quo*, Congress crafted the exemption to recognize these relationships.

As is evident from this discussion, our legal analysis was not based solely on the "plain meaning" of the statutory language (although that language is clear on its face) nor exclusively on certain legislative history, but on the design of the statute of the whole and its object and policy. *Crandon v. U.S.*, 110 S. Ct. 995, 1001 (1990); *Tataranowicz v. Sullivan*, 959 F.2d 268, 276 (D.C. Cir. 1992), *reh. den.*, *cert. den.*, 113 S. Ct. 963 (1993). The general purpose of section 511(a)(12), of course, was to prevent an airport owner/operator who receives federal assistance from using airport revenues for expenditures unrelated to the airport. Congress recognized, however, that not all sponsors were legally capable of so dedicating their revenue. To avoid the inequity of omitting them from the federal aid grant program, it did not impose the strict revenue retention requirement on them, but chose to avoid disturbing their previously existing financial arrangements.

Mr. CARR. Apparently your office has applied what is called the "plain meaning" interpretation of the law. Would you explain this concept to us?

[The information follows:]

The "plain meaning" approach to statutory interpretation holds that recourse to legislative history is foreclosed if the statutory language is clear on its face.

Our office does interpret the grandfather clause to the airport revenue retention (section 511(a)(12) of the Airport and Airway Improvement Act of 1982, as amended, 49 U.S.C. App. 2210(a)(12)), as covering those airport owners and operators that, before September 3, 1982, had enacted certain legislation controlling their financing, or had covenants or assurances in pre-September 3, 1982 debt obligations, which provided for use of airport revenue to support the airport owner/operator's other facilities or general debt obligations. This interpretation is consistent with the statutory language.

This legal analysis, however, is not based solely on the "plain meaning" of the statutory language (although that language is clear on its face) nor exclusively on certain legislative history, but on the design of the statute as a whole and its object and policy. *Crandon v. U.S.*, 110 S. Ct. 995, 1001 (1990); *Tataranowicz v. Sullivan*, 959 F.2d 268, 276 (D.C. Cir. 1992), *reh. den.*, 113 S. Ct. 963 (1993). The general purpose of section 511(a)(12), of course, was to prevent an airport owner/operator who receives federal assistance from using airport revenues for expenditures unrelated to the airport. Congress recognized, however, that not all sponsors were legally capable of so dedicating their revenue. To avoid the inequity of omitting them from the federal aid grant program, it did not impose the strict revenue retention requirement on them, but chose to avoid disturbing their previously existing financial arrangements.

Mr. CARR. According to the GAO's Office of General Counsel,

If the meaning is clear from the language of the statute, there is no need to resort to legislative history or any other extraneous source . . . If the meaning is plain, you apply that meaning and that's the end of the inquiry . . . The converse of the plain-meaning rule is that it is legitimate and proper to resort to legislative history when the meaning of the statutory language is not plain on its face.

Is it your position that the statute unquestionably applies the grandfather clause to other than port authorities, so clearly that legislative history need not be consulted, even when we know that history indicates otherwise?

[The information follows:]

The position of the Office of the General Counsel is that the grandfather clause applies more broadly than only to those airports that are parts of unified port authorities. We came to this position after careful consideration of the statutory language as well as the legislative history of the airport revenue retention requirement and the grandfather exception (section 511(a)(12) of the Airport and Airway Improvement Act of 1982; 49 U.S.C. App. 2210(a)(12)).

We do not believe that the reference in the legislative history to airports that are part of a port authority indicates Congressional intent to limit the grandfather provision to only such airports. Rather, we believe the reference to be illustrative in nature. We conclude that Congress fashioned the grandfather clause to cover those airport owner/operators that, before September 3, 1982, had enacted certain legislation controlling their financing, or had covenants or assurances in pre-September 3, 1982 debt obligations, providing for the use of airport revenues to support the airport owner/operator's other facilities or general debt obligations. This interpretation is consistent with the statutory language and with congressional intent.

PROPOSED CHANGES TO AIRPORT REVENUE LEGISLATION

Mr. CARR. Given this conflict, wouldn't it be preferable to request a change in the statute which makes congressional intent crystal clear? Since passage of the Airport and Airway Improvement Act in 1982, has the Department ever proposed such a legislative change?

[The information follows:]

As stated above, the Office of the General Counsel has concluded that the grandfather exception to the revenue retention requirement applies to any owner or operator of an airport who meets the terms described in the statute. We have based this determination on the statutory language and on the relevant legislative history.

With regard to the issue of whether the statutory language should be amended to narrow the scope of the exception, we believe not. Airport owners and operators that have pre-AAIA financing and legislative arrangements should continue to be able to avail themselves of these relationships. Based on the matters we have examined so far, the Department has not suggested, nor do we see a need for new legislation to narrow the scope of the grandfather clause. However, we do recognize the need to assure compliance with the grant assurance language.

REVENUE DIVERSION—INSPECTOR GENERAL INVESTIGATIONS

Mr. CARR. The Inspector General has now investigated 22 cases of possible revenue diversion or lost rent, and found violations of the Airport and Airway Improvement Act in 15 (68 percent) of those cases.

Mr. Kaplan, your office has the responsibility for reviewing contested cases of revenue diversion, and I don't believe you have upheld the IG on a single case. Would you have the Committee believe that illegal revenue diversion is a figment of the IG's imagination?

[The information follows:]

The General Counsel welcomes the opportunity to clarify its activities in the areas of evaluating and monitoring revenue diversion. The General Counsel's office provides advice and guidance to the OIG upon the OIG's request, typically by written memoranda requesting counsel's opinion on the application of the pertinent law to non-airport uses of airport revenue disclosed by the OIG report. To date, Counsel's advice has been requested predominantly in the interpretation of the application of the grandfather clause.

Of the 22 airport sponsors evaluated by the OIG in the March 1994 report, only four were the subjects of requests for opinions by counsel, prior to the issuance of this report. These were: Boston Logan International Airport, Hawaii Department of Transportation, Lambert-Saint Louis International Airport, and Palm Springs Regional Airport.

Counsel analyzed the revenue transfers at Boston Logan, and concluded that the Massachusetts Port Authority, the airport's owner/operator, was exempt from the revenue retention clause to the extent its pre-AAIA statutorily-based charter provisions required the payment of in lieu of property taxes to cities and towns, and provided for the payment of charitable contributions.

With respect to Hawaii, as owner/operator of the state airports, counsel determined that the Hawaii DOT was grandfathered from the revenue retention requirement, to the extent of a five percent transfer of airport revenue to the state general fund for central services costs, pursuant to a pre-AAIA financing statute.

The city of Saint Louis, owner/operator of Lambert-Saint Louis airport, was grandfathered to the extent of a five percent "equivalent to" gross receipts tax levied by the city on airport revenue, pursuant to pre-AAIA bond obligations and legislative provisions. The OIG had found that the sponsor failed to pay the airport \$2.4 million for commissions and interest income earned on public telephones located at the airport for fiscal years 1990-1992. The FAA required the sponsor to refund this amount to the airport and payment has been made. A compliance surveillance inspection is scheduled for this year.

Regarding Palm Springs, counsel found that the legislative requirement for airport payments to be made in lieu of taxes was *not* grandfathered. The city has since discontinued this levy. FAA is actively discussing with Palm Springs how this matter will finally be addressed. Counsel is also reviewing (for purposes of an audit resolution, not pursuant to an OIG request for opinion) whether the city of Palm Springs violated the terms of the Federal Surplus Property Act and the grant assurance requiring the airport to be self-sustaining by

paying the airport less than fair market rent for use of certain parcels of land.

Although the BWI situation was not addressed in this particular OIG report, counsel's office has issued an opinion to the OIG in this matter. We found certain transfers from the Maryland DOT transportation trust fund to the state general fund not to be grandfathered, pursuant to the state's pre-AAIA statutory authority.

Please note that of the 22 airport sponsors investigated, the OIG found no evidence of illegal diversions at the following entities: Atlanta Department of Aviation, Massachusetts Port Authority, Dallas/Fort Worth Airport Board, Hawaii Department of Transportation, Metropolitan Nashville Aviation Authority, Palm Beach County Department of Airports, and Salt Lake City

The FAA has given priority attention to the findings in the OIG's audits and has resolved them (from 1992 to the present) as follows:

Pompano Beach Airport: the sponsor agreed to reimburse the airport for the amounts at issue and to comply with the Surplus Property Act's terms and conditions; **El Paso International Airport:** the city has agreed to reimburse the airport for the charges at issue; **San Antonio International Airport:** the FAA is investigating the airport transfers to the general fund, and will meet with the sponsor on this and related matters; **William B. Hobby Airport:** the city has agreed to reimburse the city for improper indirect charges and to establish new procedures in this regard; **Phoenix Sky Harbor International Airport:** the city agreed to restrict use of the airport-generated revenues at issue to airport purposes; **Metropolitan Oakland Airport:** the FAA and OIG have arranged for an MOU between the city and the port regarding documented costs for city services; **San Francisco International Airport:** Counsel determined that the 1981, 30 year settlement agreement between the sponsor and airlines, providing for a percentage of concessionaire revenues to be transferred to the city's general fund is grandfathered, pursuant to a pre-AAIA controlling city charter provision, providing for similar transfers; **Fort-Lauderdale Hollywood International Airport:** FAA determined that the questioned airport payments to the sponsor were grandfathered pursuant to a pre-AAIA debt obligation; **Miami International Airport:** the FAA and the OIG have requested Dade County to conduct an independent audit to determine the legitimacy of the city charge to the airport, and the FAA is investigating the transfer to the city general fund from the airport development fund.

BWI ALLEGED REVENUE DIVERSION

Mr. CARR. A draft IG report alleging revenue diversion at the Baltimore-Washington International Airport has been sitting in the Office of General Counsel for the past 21 months, awaiting a legal opinion.

Mr. Kaplan, what conceivable evidence can you offer to explain why this report has been held up in your office for so long?

[The information follows:]

The Office of the Inspector General, during the time period 1991 and 1992, has requested opinions from Counsel's office pertaining to six airport sponsors, namely, the City of Palm Springs, the Hawaii Department of Transportation, the City of San Francisco, the State of Maryland, the Massachusetts Port Authority, and the City of Saint Louis. Each of the questions raised unique, novel, and unprecedented issues of interpretation of the grandfather exception to the revenue retention requirement. They required intensive research and examination by counsel staff. Opinions were prepared in a diligent fashion and issued to the OIG.

As you know, counsel has found the State of Maryland, as owner/operator of BWI and other airports within the state, to be grandfathered only to the extent that airport revenues are used for the transportation trust fund purposes, a statute that predated the AALA. Based on the information we received, we found that transfers were made to the state general fund from the transportation trust fund and we found them not in accordance with the pre-AALA statutory arrangement and not grandfathered from the revenue retention requirement. The opinion was provided to the OIG on April 12, 1994. The OIG will transmit this opinion to the FAA, which will process it in accordance with its enforcement mechanisms in section 519 of the AALA.

OST RULING ON AIRPORT REVENUES AT BWI AIRPORT

Mr. CARR. If your office makes a finding of illegal revenue diversion this year, that locality would lose all transportation funding included in our bill including funds for highways, transit, Coast Guard, and FAA. That is a big hammer, and our Committee intended it that way. However, if your office never issues a ruling, no one loses any funding and our enforcement provision is neutralized.

How would you convince us that your delay in the BWI case is not intended to undermine the revenue diversion provision in last year's DOT Appropriations Act?

[The information follows:]

Counsel issued a ruling in the BWI matter, on April 12, 1994. There was no intention to undermine the section 328 revenue diversion provision in the fiscal year 1994 DOT Appropriations Act. The BWI case raised certain complex statutory and accounting issues, and was worked on diligently for some time. This matter did not trigger a finding under section 328, which provides:

None of the funds provided by this Act shall be made available to any State, municipality, or subdivision thereof that diverts revenue generated by a public airport in violation of the provisions of the Airport and Airway Improvement Act of 1982, as amended.

We did not find the State of Maryland to be diverting revenues during fiscal year 1994, the period of time to which section 328 applies.

IMPACT OF IG STAFF REDUCTION ON AIRPORT REVENUE REVIEWS

Mr. CARR. In its response to a March 7, 1994 IG report on revenue diversion, the FAA stated:

Once an airport is suspected of diverting revenue, persons with financial audit expertise would still be needed to review the airport's records to verify that revenue diversion occurred. We will request audit assistance from the OIG to obtain the expertise necessary to satisfy more effectively our airport revenue monitoring responsibilities * * * We believe the financial integrity of the United States airport system

will be stronger as a result of FAA and OIG working together to identify and correct situations where revenue is being diverted.

Mr. CARR. Ms. Stoll, given the Department's proposal to reduce the IG's staffing by 7 percent in fiscal year 1995, isn't it highly unlikely that the IG will be able to allocate the necessary resources to address the revenue diversion problem, as the FAA says is needed?

[The information follows:]

The Office of the Inspector General completed reviews of 22 airports and has reviews of 17 more airports ongoing. These reviews, which utilized approximately 16 staff years of audit work, provided extensive coverage of the airport revenue diversion issue.

The OIG will perform audits of airport revenue diversion as needed in fiscal year 1995, but does not envision stepping up its audit of this program. the OIG's decision is based on the sufficiency of audit coverage already afforded this issue and not on budgetary reductions.

DOT ENFORCEMENT OF AIRPORT REVENUE STATUTES

Mr. CARR. Mr. Downey, in a December 7, 1993 letter, Chairman Mineta and Ranking Member Shuster of the Public Works Committee wrote the Secretary a letter saying,

We see no reason why it is necessary for the Department to wait for our legislation to pass to begin a much more intensive effort to monitor the assurance against revenue diversion.

Has the Department taken any specific steps to do this?

[The information follows:]

The Department is strongly committed to the enforcement of the prohibition against unlawful revenue diversion. The Department also is enforcing the provisions of section 328 of the Fiscal Year 1994 DOT and Related Agencies Appropriations Act, by means of sending a notice and letter to airport sponsors and officials of potentially affected jurisdictions, alerting them of this provision and the potential implications for transportation funding for the particular state or locality. The notice would be intended to assure compliance with the prohibition on unlawful diversion of airport revenue by states, municipalities, and political subdivisions thereof.

The Federal Aviation Administration (FAA) has an action plan which was put in place and includes the following: identify corrective actions at those airports considered as potentially in noncompliance; initiate enforcement actions in the absence of voluntary compliance; in conjunction with the OIG, update the single audit program to include a comprehensive audit procedure for the airport revenue retention compliance requirement; develop indicators of potential noncompliance; and develop language for grant assurances authorizing special reports in the revenue diversion area. These activities are intended to improve data collection and enforcement of the revenue retention grant assurance.

The FAA has given priority attention to the findings in the OIG's audits and has resolved them (from 1992 to the present) as follows:

Pompano Beach Airport: the sponsor agreed to reimburse the airport for the amounts at issue and to comply with the Surplus Property Act's terms and conditions; **El Paso International Airport:** the city has agreed to reimburse the airport for the charges at issue; **San Antonio International Airport:** the FAA is investigating the airport transfers to the general fund, and will meet with the sponsor on this and related matters; **William B. Hobby Airport:** the city has agreed to reimburse the city for improper indirect charges and to establish new procedures in this regard; **Phoenix Sky Harbor International Airport:** the city agreed to restrict use of the airport-generated revenues at issue to airport purposes; **Metropolitan Oakland Airport:** the FAA and OIG have arranged for an MOU between the city and the port regarding documented costs for city services; **San Francisco International Airport:** Counsel determined that the 1981, 30 year settlement agreement between the sponsor and airlines, providing for a percentage of concessionaire revenues to be transferred to the city's general fund is grandfathered, pursuant to a pre-AAIA controlling city charter provision, providing for similar transfers;

Fort-Lauderdale Hollywood International Airport: FAA

determined that the questioned airport payments to the sponsor were grandfathered pursuant to a pre-AAIA debt obligation;

Miami International Airport:

the FAA and the OIG have requested Dade County to conduct an independent audit to determine the legitimacy of the city charge to the airport, and the FAA is investigating the transfer to the city general fund from the airport development fund.

AIRPORT GRANT FUNDING REAUTHORIZATION

Mr. CARR. Mr. Downey, in submitting the aviation reauthorization bill this past January, the administration indicated that airport grant funding "will be supplemented by a new program of innovative financing to facilitate further improvements in airport capacity and safety."

Can you give us any details today on what the administration will propose and why it is needed?

[The information follows:]

The proposal that the administration submitted would authorize appropriations of funds, in addition to the contract authority for the regular airport grant program for innovative financing of airport development. Our idea is that the funds might be used to provide loans, to guarantee loans, or to enhance credit in other ways. They might be used at a higher than normal Federal share in the early phases of a project before the project is generating revenue, with a higher than normal local share after the project begins producing revenue. This would decrease the risk to investors and make the investment more attractive. ISTEA broke a new ground in the innovative use of Federal funds for surface transportation, and new ideas continue to be advanced for that area of transportation. We want to encourage that kind of thinking for airport investment. There is a gap between airport investment needs and current investment levels; the goal would be to increase investment in airport development by significantly more than the additional Federal money we would propose. We would want to ensure that a Federal dollar used under this proposed new authority would produce a greater amount of total investment than a dollar used in a traditional grant. We have not worked out detailed proposals, and we did not include a request for funds under this authority in the fiscal year 1995 budget. We want to work with airport operators and the investment community to fashion a proposal for fiscal year 1996.

Mr. CARR. To what extent will this propose greater use of Federal funds for land-side or even off-airport projects such as access roads, people movers, and transit ways leading to airports?

[The information follows:]

Any funds appropriated under the proposed new authority would be eligible for the same kinds of projects as regular airport grants. It would not be available for off-airport projects. Because it would be aimed at encouraging more private sector investment that would have to be repaid, it would be most attractive for projects that would permit airports to raise more revenue for that repayment.

AIRPORT RATE REASONABLENESS

Mr. CARR. The Public Works Committee has suggested that the Department needs to develop formal policies and procedures to resolve rate reasonableness disputes between airports and their tenant airlines.

What progress has been made in this area, if any?

[The information follows:]

The Secretary is strongly committed to the enforcement of the prohibition against unlawful revenue diversion. In December, 1993, the Secretary issued a letter to air carriers and airport sponsors encouraging them to work together productively, and informing them that the "Department will, where needed, take a more active role in the airport-airline relationship."

The Secretary has directed a joint Office of the Secretary/FAA task force to develop guidelines, criteria and procedures for evaluating the reasonableness of airport fees and charges, according to the requirements in the Anti-Head Tax Act of the Federal Aviation Act (§1113(b) of the FAA of 1958, as amended; 49 U.S.C. App. 1513(b)), and the grant assurances derived from the statutory provisions of the Airport and Airway Improvement Act of 1982 (§511 of the AIA; 49 U.S.C. App. 2210). The task force is finalizing its work on a set of procedures and policy guidance. We expect to seek public comment on these documents in the near future.

LEGISLATION ON AIRPORT RATE REASONABLENESS

Mr. CARR. As you know, legislation is being considered in the re-authorization process to mandate certain rate reasonableness procedures and criteria. Does the administration have an opinion on the need for such legislation?

[The information follows:]

The Department objects as a general matter to proposed legislation that would constrain the Secretary's administrative authority regarding airport rates and charges, or which would impede the process of negotiations between airports and airlines on these matters. Moreover, legislation in this area is not necessary, in light of the extensive work being done by the Department to finalize and circulate for public comment a set of policies and guidance on airport rates and charges and procedural regulations for filing complaints with the FAA alleging violations of relevant federal aviation statutory obligations. The FAA has also developed an aggressive enforcement mechanism targeting revenue diversion.

The Department is concerned with certain provisions in the ATA proposal which remove Secretarial discretion to administer the federal aviation laws, particularly with regard to issuing policies and guidance on reasonable rates and charges. The definition of "reasonable" in the proposal is qualitatively different than that permitted under federal law and appears to unduly limit the airport's ability to generate and utilize revenue.

With regard to procedural matters, the Department objects to the provision for *de novo* review of an adverse agency decision, because this would waste resources by having two independent evidentiary proceedings, would increase the length of time to resolve a fee dispute, and would negate the significance of having a federal agency establish uniform rules on these issues. The Department also objects to the provision of a private right of action in a revenue diversion case, because this also negates the significance of a federal agency developing uniform rules on these issues. Moreover, the definition of "revenue diversion" appears to combine the concept of self-sufficiency with that of revenue diversion, and to leave little flexibility for administrative determination. The ATA proposal also contains some unjustifiably tight time frames by which the Department is to issue decisions, and we object to these arbitrary dates.

The ACI legislative proposal also contains apparently arbitrarily tight time frames for agency actions, which we object to. The Department also objects to the provision requiring an airline objecting to an increased fee to be locked into providing service for a certain period of time. This is inconsistent with the deregulatory environment created by the Airline Deregulation Act of 1978; does not recognize that circumstances may compel an airline to change markets; and raises due

process considerations. The ACI proposal would define "reasonableness" consistent with the *Kent County* decision, but without taking into account the international obligations of the United States. The Department prefers to have flexibility in the matter of defining the term "reasonable" for purposes of airport rates and charges. We also object to adding any procedures regarding compliance with the revenue retention clause, beyond those provided by section 519 of the AAIA, since the FAA has sufficient mechanisms currently to assure compliance.

ESSENTIAL AIR SERVICE REDUCTIONS

Mr. CARR. The administration's proposed bill language for fiscal year 1995 limits the EAS reductions to the 48 contiguous United States. Why should the change in policy not also apply to Alaska and Hawaii?

[The information follows:]

We intend that the eligibility criteria to effect budget reductions apply in Hawaii but not Alaska. Unfortunately, there was technical oversight and this was not reflected in our proposed appropriations language for fiscal year 1995.

Mr. CARR. Would any communities in Alaska or Hawaii lose EAS service if the new criteria were extended to those States? If so, which communities would lose service and why?

[The information follows:]

Only one community, Kamuela, would be removed from subsidized service in Hawaii under our proposal. It is 39 highway miles, approximately an hour's drive, from the small hub of Kona.

In general, the points in Alaska have no highway access.

The following table reflects the communities that might be affected by the budget proposal (excluding Hawaii).

EAS Communities Exceeding \$200/Passenger or Less Than 70 Miles From a Small Hub

Community, ST	Annual Subsidy @ 4/1/94	Year End		CY 1993		CY 1993		Hub		Cumulative Subsidy
		6/30/93	6/30/93	Q&D Pax	Sub/Pax	Q&D Pax	Sub/Pax	Mile	Size	
1 Glendive, MT	\$585,757	1,704	\$343.75	1,837	\$318.87	223	S	Billings		\$585,757
2 Miles City, MT	\$585,757	1,805	\$324.52	1,873	\$312.74	145	S	Billings		\$1,171,514
3 Lewistown, MT	\$500,349	1,829	\$273.66	2,195	\$227.96	129	S	Billings		\$1,671,863
4 Mitchell, SD	\$328,204	1,539	\$213.26	1,553	\$211.34	72	S	Sioux Falls		\$2,000,067
5 Ely, NV	\$727,082	3,434	\$211.73	3,570	\$203.66	236	L	Salt Lake City		\$2,727,149
6 Visalia, CA	\$211,799	13194	\$16.05			40	\$	Fresno		\$2,938,948
7 Hot Springs, AR	\$756,491	8,062	\$93.83			54	\$	Little Rock		\$3,695,439
8 Keene, NH	\$626,812	9,056	\$69.22			56	\$	Manchester		\$4,322,251
9 Muscle Shoals, AL	\$364,843	4,924	\$74.09			57	S	Huntsville		\$4,687,094
10 Brookings, SD	\$328,204	1,697	\$193.40			58	\$	Sioux Falls		\$5,015,298
11 Anniston, AL	\$364,843	6,208	\$58.77			61	\$	Birmingham		\$5,380,141
12 Tuscaloosa, AL	\$364,843	5,550	\$65.74			61	\$	Birmingham		\$5,744,984
13 Merced, CA	\$547,289	10,190	\$53.71			64	\$	Fresno		\$6,292,273
14 Worthington, MN	\$191,497	1,611	\$118.87			65	\$	Sioux Falls		\$6,483,770
15 Rutland, VT	\$626,812	4,235	\$148.01			67	\$	Burlington		\$7,110,582
16 Danville, VA	\$315,504	11,212	\$28.14			68	\$	Greensboro		\$7,426,086
17 Watertown, NY	\$283,619	14,710	\$19.28			69	\$	Syracuse		\$7,709,705
Add'l Points and/or Cost Saving Measures	\$113,295									\$7,823,000

See Page 2 for Note.

Other EAS Communities That Could Lose Service

Community, ST	Annual Subsidy @ 4/1/94	Year End		CY 1993		CY 1993		Hub	Cumulative Subsidy
		6/30/93	Q&D/Pax	Sub/Pax	Q&D/Pax	Sub/Pax	Sub/Pax		
1 Havre, MT	\$500,349	2,468		\$202,73	2,840	\$189,63	251	S Billings	\$500,349
2 Danville, IL	\$301,743	2,241		\$134,65	1,866	\$161,71	90	M Indianapolis	\$802,092
3 Chadron, NE	\$242,894	1,568		\$184,98	1,581	\$153,61	301	L Denver	\$1,044,786
4 Moab, UT	\$462,194	3,162		\$146,17	3,249	\$142,26	241	L Salt Lake City	\$1,506,980
5 Brownwood, TX	\$401,179	2,993		\$134,04	3,071	\$130,63	153	M Austin	\$1,908,159

General Notes:

The above lists of points are strictly illustrative in that they are based on currently available data. Final decisions will be made on more current data. It also should be noted that events could occur which could cause additional points to be eliminated, such as a change of Hub designation from Small to Nonhub or vice versa, and changes both in subsidy rates and passenger levels.

While FY 1994 cuts were premised on a \$200 subsidy/passenger based on passengers carried during the year ended June 30, 1993, more current data will be used to determine the FY 1995 cuts. If YE June 30, 1994, traffic is used, those data will not be available until late summer. Highway distances are based on Federal Highway Administration official analysis—used for the first time in support of the FY 1995 Budget—of the exact distances using a Geographic Information System in conjunction with a highway network database from the U. S. Geological Survey. As a result, in some cases, mileage figures are revised from prior year tables.

COMMUNITIES ELIMINATED BY EAS ELIGIBILITY CRITERIA IN 1994

Mr. CARR. Concerning the essential air service program, last year Congress reduced the funding for this program and directed changes in eligibility criteria. How many points were eliminated, and what impact do you believe that will have on transportation in those communities?

[The information follows:]

A total of 11 points were cut.

Six points—Gadsden, Al; Galesburg, IL; Hot Springs, VA; Elkins, WV; Paris, TX; and Laconia, NH—were cut because their subsidy exceeded \$200 per passenger. These six points were generally very isolated (up to 200 miles) from large or medium FAA hub airports, but were generally much closer to other air service. Gadsden, Galesburg and Laconia were about 50 miles from small FAA hubs and Paris, Hot Springs and Elkins were 95, 110 and 131 miles from FAA non-hub airports. Communities more than 210 miles from a large- or medium-hub were not removed, even if their subsidy was more than \$200 per passenger.

Five points—Stockton, CA; Muncie, IN; Bloomington, IN; Santa Fe, NM; and Terre Haute, IN—were cut because they were within 70 highway miles of a large or medium airport hub. Air service has continued to two communities, Stockton, California, and Santa Fe, New Mexico, which were among the least expensive in terms of subsidy per passenger.

The other communities must rely on alternative transportation such as automobile, bus, limousine, etc.

COMMUNITIES ELIMINATED BY ELIGIBLE CRITERIA IN 1995

Mr. CARR. What is your proposal for EAS in fiscal year 1995, and how does that differ from the approach agreed to in last year's appropriations conference? Are you proposing to eliminate even more communities, and if so, why?

[The information follows:]

We propose to extend the criteria used by the Department in fiscal year 1994 that eliminated subsidy support for 11 communities. First, the \$200 subsidy-per-passenger ceiling would be applied to all communities, except for Alaska. In FY 1994 communities more than 210 highway miles from the nearest medium or large hub were exempt from cuts. Second, FY 1994's isolation criterion, 70 miles from a medium or large hub, would be extended to communities within 70 miles of a small hub. We estimate that a total of 17 communities would be eliminated from program eligibility. The Department must balance the interests of communities against the need to reduce government spending. Isolation of the community and subsidy per passenger are the most meaningful measures of the critical need for the service and the level of taxpayer support for the service.

AIR SUBSIDY BETWEEN MASSACHUSETTS AND NEW JERSEY

Mr. CARR. I believe there are some EAS communities receiving subsidized service even though nonsubsidized commercial air service is available which provides comparable travel opportunities. For example, a couple of years ago you were funding service between Hyannis, Massachusetts and Newark, New Jersey even though travelers could take commercial service from Hyannis to Boston's Logan Airport and then go on to Newark.

Why should the Department continue this type of EAS service when commercial opportunities are available?

[The information follows:]

Subsidy support for service to a second hub was clearly contemplated in the EAS program as established by the Airline Deregulation Act of 1978. Essentially, subsidized service to a second hub may be supported, even when there is subsidy-free air service to another hub, when there is a strong community of interest between the subsidized community and the second hub and discontinuation of such air serv-

ice would be unduly burdensome. An example of this occurs in Nebraska where North Platte passengers bound for Omaha would have to travel 240 miles west to Denver and then fly 485 miles east from Denver to Omaha (over 700 miles) whereas the subsidized North Platte-Omaha service is only 251 miles. The only other alternative to get to Omaha or Lincoln, the state capital, would be a very long drive. Specifically addressing your mention of Hyannis, the subsidy for Hyannis-Newark service was not high and proved to be required only for a short term because the subsidized carrier provided responsive service and quickly reinvigorated the market. The carrier recently agreed to continue to provide Hyannis' service to the second hub after June 1994 on a subsidy-free basis.

EAS STREAMLING

Mr. CARR. In several cases, you also provide subsidized air service to more than one medium or large airport. For example, Kearney, Nebraska, EAS subsidies include air service to Kansas City, Missouri, and Denver, Colorado. Of course, once travelers get to one of these hub airports, they can go to the other one via commercial air service.

You would think that the EAS program would get people from a remote location to a hub airport, but not necessarily give them their choice of hub airports. Why isn't elimination of these points a part of your effort to streamline the EAS program and cut unnecessary subsidies?

[The information follows:]

A very few communities are guaranteed air service to two hubs that in fact require subsidy-support for service to each. With the recent funding reductions, the Department has generally eliminated such subsidy. Kearney, Nebraska, is guaranteed air service to either Denver or Kansas City but in fact receives subsidized air service to both. Kearney is midway between Kansas City and Denver and it receives air service to both hubs by virtue of being on a linear routing that also serves other essential air service communities. As a result of the linear routing the subsidy cost for Kearney, as well as for the other communities on the itinerary, is less than it would be for direct service to a single hub for each point.

COMMERCIAL SPACE TRANSPORTATION POLICY

Mr. CARR. What new directions or initiatives, if any, is the Department proposing in the commercial space transportation arena over the next few years?

[The information follows:]

In response to severe criticism from the industry, OCST is strengthening its technical expertise in the licensing and safety area. All 3 positions approved in fiscal year 1994 and 5 of the 6 additional positions requested by fiscal year 1995 will be dedicated to this area. We are seeking highly experienced technical expertise so we will not have to rely almost exclusively on contractor support.

OCST is also revamping its regulatory approach to ensure that we do not add unnecessary requirements.

Licensing or performing preliminary assessments of launch/landing sites located in Alaska, New Mexico, and elsewhere will consume major resources. OCST will need to develop the requirements for hardware, personnel, and procedures necessary to provide safety at facilities without an existing Air Force presence to provide range safety.

Meanwhile, OCST continues to receive applications for launch licenses from companies entering the commercial launch business with new vehicles, such as Lockheed's LLV-1,2, and 3, built from existing components.

OCST continues to support the U.S. Trade Representative in negotiations and monitor compliance with agreements with China and Russia.

OCST plans research concerning the commercial feasibility of improvements to the existing Expendable Launch Vehicle fleet. The Department will take advantage of its position on the National Science and Technology Council Interagency Coordinating Committee on Transportation Research and Development to provide strategic R&D budget guidance across government agencies.

OCST will participate in efforts to enhance and expand space launch infrastructure through the Office of Science and Technology Policy's Interagency Working Group on Space Transportation, the National Facilities Study, and The Department of Defense Space Modernization Plan under General Moorman, and the Air Force's Dual-Use Space Launch Infrastructure Grant Program or comparable programs.

Mr. CARR. You are proposing a 39 percent increase in this appropriation for fiscal year 1995. Why is such an increase needed, especially when the administration is reducing its regulatory workload in many areas of the government?

[The information follows:]

Allocation of Resources--The Office devotes the largest portion of its resources to ensuring public safety through its regulatory program. Despite the increase in its workload, the Office of Commercial Space Transportation has had the same personnel level from 1991 into 1994 and little growth in contract resources. A study by an independent management consultant in October 1993, concluded that the regulatory function of OCST alone will require an average technical staff per year for FY 1994 through FY 1996 ranging from 17.7 to 22.3, depending upon assumptions concerning the likelihood of anticipated licensing and regulatory actions. With all three positions approved for FY 1994 being devoted to the licensing and regulatory area as well as five of the six requested positions in FY 1995, the professional staff level would rise to 16, still below the minimum indicated by the study. The workload estimates used conservative assumptions concerning the likelihood of various initiatives resulting in license applications. For example, emerging initiatives such as McDonnell Douglas' Delta Clipper (single-stage-to-orbit vehicle) and launches of constellations of low earth orbit communication satellites were not included. No allowance for unforeseen work was made.

Improved regulatory program--The requested increase is necessary to improve the regulatory program and make it more responsive to the growing demands placed on it by industry activity. Under the Commercial Space Launch Act of 1984, as amended, launch services are intended to be regulated "only to the extent necessary, ... in order to ensure compliance with international obligations of the United States and to protect the public health and safety, safety of property, and national security interests and foreign policy interests of the United States." The lack of timely regulatory guidance from OCST has frustrated the industry in its attempts to promote new launch systems.

As discussed in several responses to these questions, OCST is examining its current regulatory program to ensure that it does not impose unnecessary requirements on the industry. OCST has already made personnel changes to improve the management of the program.

Workload increases--Despite improvements that will make the regulatory program more efficient, OCST expects industry activity to continue to place heavy workload demands on its licensing and regulatory function. In 1993 and 1994, the work necessary to make licensing determinations for *Pegasus* and *COMET* strained OCST's capacity; as a measure of that workload over the past year, OCST has devoted approximately \$1,550,000 in contract support and 2 staff years for *COMET* and over \$200,000 in contractor support and 1.2 staff years for *Pegasus*. Typical of OCST's existing regulatory workload are applications for launch licenses from companies entering the commercial launch business with new vehicles, such as Lockheed's LLV-1, 2, and 3, built from existing components. As can be seen from the effort expended on *Pegasus* and *COMET*, a radical new design such as single-stage-to-orbit would require a significant increase in current resource levels. The award of launch contracts for low-earth

communications satellites is expected to generate license applications for these launches in FY 1995. OCST must devote resources to monitor a full schedule of launches by current licensees.

The lack of an existing Government presence at existing national launch ranges, places a heavy regulatory burden on OCST. Simply duplicating current government policies and procedures used at the national ranges would impose unnecessary regulation. OCST will need to develop the requirements for hardware, personnel, and procedures necessary to provide safety at these facilities required for range safety, including flight termination support, tracking, and general safety oversight. The site licensing process would require OCST, as the lead federal agency, to evaluate commercial launch sites for environmental impacts. Conducting the requisite environmental reviews of launch sites located in Alaska and New Mexico and licensing commercial spaceports and will consume major resources in FY 1995. Although new systems such as *Pegasus* and *COMET* strained OCST's capacity, the complexity and breadth of safety issues that will be posed by commercial launch sites will be even greater, and beginning to address them in 1995, will consume major resources.

OCST continues to support the U.S. Trade Representative in negotiations and monitors compliance with space launch trade agreements with the People's Republic of China (PRC) and the Russian Federation (Russia). The agreement with Russia expires in 2000; plans are for a follow-on agreement with the PRC to replace the current agreement scheduled to expire in 1994. The U.S. Trade Representative does not have the technical capability it finds in OCST. (Note that OCST has requested an increase in contract support for international trade monitoring of 121 percent over FY 1994.)

The OCST plans research concerning the commercial feasibility of improvements to the existing expendable launch vehicle fleet and the Department will provide strategic R&D budget guidance across government agencies through its position on the National Science and Technology Council Interagency Coordinating Committee on Transportation Research and Development. OCST will participate in efforts to enhance and expand launch infrastructure through the Office of Science and Technology Policy's Interagency Working Group on Space Transportation, the National Facilities Study, and the Department of Defense Space Modernization Plan under General Moorman, and the Air Force's Dual-Use Space Launch Infrastructure Grant Program or comparable programs. OCST has requested a new policy analyst position in FY 1995 to help support these activities.

Contract Support--The largest increase in the President's budget request for OCST is for contract support. It increases 44 percent over the FY 1994 enacted level and constitutes 68 percent of the total increase of \$1.841 million. The bulk of that increase (\$1.004 million of the total \$1.260 million contract increase) is for vehicle and safety operations and regulatory and safety analysis. Contractor support will be used to perform risk assessments, evaluate the safety of component designs, conduct

studies necessary to determine the maximum probable loss for setting financial responsibility requirements, and perform other technical work. OCST has not had sufficient contract resources to begin to develop safety standards for operations at commercial launch sites. Also, launches of large number of satellites to low earth orbits will raise issues relative to space safety.

Although OCST has increasingly added technical personnel to its staff, it is not practical to maintain individuals with current hands-on experience across all required specialized technical areas for varied licensing initiatives and research. These efforts require more specialized expertise than can practically be obtained from an in-house staff, however technically qualified. (It should be noted that even large government agencies such as the Air Force and NASA rely extensively on contractor support in highly technical areas.)

Travel demands--As discussed in another response, the travel increase of 56 percent is necessary to support travel to monitor compliance with licenses; assess the safety and environmental issues regarding proposed commercial launch sites; support international trade negotiations; monitor compliance with the space launch trade agreements with the People's Republic of China and the Russian Federation; promote improvements to launch infrastructure and the existing expendable launch vehicle fleet; and demonstrate U.S. government support for the commercial launch industry. Part of the increase is to provide travel funds for new staff.

TSARC PROCESS

Mr. CARR. Mr. Downey, this Committee has been working for many years to improve OST-level reviews and oversight of the modes' major acquisitions. Many changes have been put in place, including a more formal structure of briefings before the Transportation Systems Acquisition Review Council and required decision-making by the Deputy Secretary, who serves as the chairman of that panel. However, despite all of this, the Department's largest acquisition program, the Advanced Automation System, has only recently been found to have problems so deep seated, it may not be able to proceed in its present state.

What good is the TSARC process if it can't give decisionmakers timely insight into acquisition problems? Doesn't the AAS experience indicate a failure of the TSARC process?

[The information follows:]

The Advanced Automation System (ASS) experience does not indicate a failure of the current TSARC process. The Major Acquisition Policies and Procedures (MAPP) were issued in January 1993. The AAS contract had been in place for almost 5 years and did not meet many of the requirements of the new process (such as formal program baselines). At the time we established the new process, we recognized that there was insufficient TSARC involvement in the AAS program, and we worked steadily to rectify that.

The Secretary, FAA Administrator and I were committed to improving oversight and accountability of the AAS program. We have used the TSARC process as a vehicle for this, and we believe that it has been through this process that many of the problems with the AAS program have been identified.

DOT GUIDANCE ON TSARC FOR PROGRAM MANAGERS

Mr. CARR. DOT's Major Acquisition Policies and Procedures manual requires a program manager to "actively monitor contractor performance" and "provide candid and timely assessments of program status and risk in all briefings and presentations to higher authorities." IBM began reporting significant overruns in early 1990, and the magnitude of the forecast overrun kept growing. This information was not conveyed to higher FAA authorities or to the Congress. Only last month, in February 1994, did the FAA announce the program manager would be removed. That is four years after the program manager first found out about the overrun from IBM.

What additional procedures are needed to ensure that program managers are following the Department's guidance? What good is guidance if it isn't followed?

[The information follows:]

The strength of the TSARC process depends on our ability to hold program managers accountable for the success or failure of a given program without discouraging innovative, improved approaches to solving technical problems. We are evaluating the TSARC process to determine how it can best provide the basis for this accountability. Some possible enhancements include more direct OST involvement in selected programs resulting in more proactive oversight and the development of annual program performance agreements that program managers would establish and be held accountable for. Additionally, FAA is making some internal organizational changes to improve program performance such as the establishment of integrated product teams on some programs to empower the individuals working directly on the program and streamline the flow of information to senior managers to ensure they have access to timely, current data.

We should also add that on some of the newer FAA and Coast Guard programs we are seeing signs of success for the new MAPP process. Requirements are being defined, stabilized and bought into by sponsors much earlier in the process and pro-

gram managers are looking seriously for non developmental alternatives. We believe this illustrates the basic soundness of the principles of the MAPP. Unfortunately, it has been difficult to impose those principles after the fact on a dynamic ongoing program such as AAS. We are continuing to strive towards that goal.

AAS PROGRAM IN TSARC PROCESS

Mr. CARR. As I understand it, TSARC staff in the Office of the Secretary were refused briefings on the status of the AAS program by the FAA program manager for almost a year after the cure notice went out in November 1992. By the time the briefings were held, the program was out of control.

Shouldn't the TSARC have been more aggressive in obtaining information on the status of the AAS program during that critical time?

[The information follows:]

In retrospect, TSARC could have been more aggressive in pursuing the problems with AAS. As mentioned in the previous responses, AAS was an existing program that had basically been operating outside the TSARC process. Once we put new procedures in place in January 1993, we used them as the basis for pulling AAS under the process. We should have moved more quickly and more firmly than we did. However, it was the Secretary and the TSARC (including the FAA Administrator) that were the catalyst for surfacing the AAS problems and bringing about the current reassessment. As discussed previously, we are taking steps to refine the TSARC process to ensure that such delays in recognizing and acting on problems do not happen again.

PROCUREMENT REFORM SAVINGS

Mr. CARR. The fiscal year 1995 budget request assumes over \$700 million in savings from unspecified "procurement reforms." The administration recently submitted a fiscal year 1995 budget amendment reducing DOT's overall budget authority by \$65,120,000 due to these savings.

Can you tell us what specific procurement reforms have led to these assumed savings?

[The information follows:]

The budget amendments assume procurement-related savings in three areas: Information Technology (IT), Productivity Increases (PI), and Electronic Commerce (EC). Procurement reform legislation (H.R. 2238) pending before Congress is expected to produce significant savings in the first two areas. Among other things, the legislation would raise the threshold for "simplified" acquisitions from \$25,000 to \$100,000. This would streamline procedures (fewer steps, less documentation) for a large number of procurement actions. Bidders are expected to charge less for goods and services when their cost of doing business with the government is reduced. The legislation would also foster greater use of less costly off-the-shelf commercial products.

In the case of Electronic Commerce, savings can be achieved administratively, by moving from the current paper-based system to an electronic process for announcements (currently placed in the Commerce Business Daily), solicitations, bids, invoices, and other key information.

Mr. CARR. How was the \$65 million calculated, and what programs were the major contributors?

[The information follows:]

The \$65.48 million in DOT savings included in the amendment are based on potential savings in the following areas:

Information Technology (IT) savings (\$61.89 million).—Assumes that about 2.8 percent of estimated DOT funding for IT (less personnel costs) can be saved in FY 1995, largely related to procurement reform.

Electronic Commerce (EC) savings (\$2.23 million).—Assumes that savings can be achieved by moving from the current paper-based system to an electronic process for solicitations, bids, invoices, and other key information.

Productivity Increase (PI) savings (\$1.36 million).—Assumes that productivity savings will result from passage of procurement reform legislation pending before Congress, as well as from other Administration initiatives.

Most of the savings are expected to occur in FAA (82.6 percent of IT savings, and 49.8 percent of EC and PI). The largest share of FAA's savings would be in its capital accounts. The following table provides estimated savings by mode.

FISCAL YEAR 1955 ESTIMATED SAVINGS

(In thousands of dollars)

	Electronic commerce	Productivity increases	Information technology	Total
FAA	1,111	678	51,101	52,890
USCG	365	223	5,595	6,183
FHWA	173	107	2,011	2,291
RSPA ¹	99	60	1,758	1,917
Other	416	254	1,169	1,839
Subtotal excluding MARAD	2,164	1,322	61,634	65,120
MARAD	66	40	254	360
Total DOT	2,230	1,362	61,888	65,480

¹ Amounts shown are primarily related to procurements of the Volpe National Transportation Systems Center (VNTSC), which is operated by RSPA. VNTSC is not financed by direct appropriations, but as a working capital fund. Funds are received based on negotiated work agreements with other DOT elements, and with other departments. It would therefore not be appropriate to reduce RSPA's budget by the amount shown in the above table.

Mr. CARR. The budget amendment specifically says that, for the purposes of this reduction, "procurement" includes "all stages of the process of acquiring property or services, beginning with the process of determining a need for a product or services and ending with contract completion and closeout." This is a far broader definition than is normally used. As I interpret it, contracts for security, janitorial or restaurant services would even be included under this definition of "procurement." So would paper studies being conducted to show a new requirement.

Are these really procurement savings, or are we just trying to achieve some program savings to meet budget targets?

[The information follows:]

The savings apply both to service contracts and procurement contracts. Historically, service contracts have accounted for about 60 percent of all DOT contract dollars, and procurement contracts for about 40 percent.

RESEARCH AND DEVELOPMENT

Mr. CARR. Mr. Downey, I understand you have initiated some changes in the way the Department coordinates and manages its research and development activities. Would you give us an overall description of the changes, and tell us how they will improve management of these programs?

[The information follows:]

One of the deficiencies in managing the departmental R&D activities that has been identified by Congress is that the Department has allowed fragmented R&D programs among the operating administrations without coordination and a definite departmental direction. The same issue was brought up in the National Performance Review. In response, DOT has taken steps to integrate the R&D programs into a cohesive package. The Department has appointed a Director of Technology Deployment to lead efforts to coordinate Research and Technology programs from all operating administrations in the department and to assist in identifying gaps and potential synergies.

We have also established two committees, the Research and Technology Steering Committee (R&TSC) and the Research and Technology Coordinating Council (R&TCC) comprised of senior officials from the DOT agencies and the Office of the Secretary. The objective of the steering committee is to advise the Secretary, the Deputy Secretary and the Director of Technology Deployment on matters relating to R&D priorities in the Department. While the steering committee acts as a "Board of Directors" for the Departmental R&D programs the coordinating council develops effective ways to review plans and policies, determine gaps, evaluate program effectiveness, and determine priorities. This group will coordinate all the transportation research and technology activities including those funded through other Department's such as the Defense Department's Technology Reinvestment Program (TRP).

It is anticipated that these efforts will improve management of the overall R&D activities, avoid duplication of efforts within the department and make the programs more effective.

RESEARCH AND DEVELOPMENT STEERING COMMITTEE

Mr. CARR. One of these changes is the establishment of an R&D Steering Committee, which I believe you chair.

Does this group obviate the need for the R&D Coordinating Council, and if not, how are the two groups different?

[The information follows:]

The objectives of the Steering Committee are to develop and maintain a view of the future transportation research needs of the nation and develop overall plans that support the goals of the President and the Secretary. This committee acts as a "Board of Directors" advising the Secretary, the Deputy Secretary and the Director of Technology Deployment on matters of transportation policy. The Coordinating Council assists the Secretary, Deputy Secretary and the Director of Technology Deployment in providing more regular oversight of the DOT research and technology program. The Council develops a working definition of the DOT research and technology program consistent with the Steering Committee's direction. The Coordinating Council has several sub-committees and working groups to develop detailed R&D plans and processes and also to work with other departments of the Federal Government and industries to identify national needs and determine program priorities and finding solutions to problems. Another function of the Coordinating Council is to promote broader perspectives in transportation related research. An important element in this is enhancing a team spirit among the R&D directors and mitigating the tendency to maintain a single mode focus. The functions of the Steering Committee and the Coordinating Council are distinctly different and the Steering Committee does not obviate the need for the Coordinating Council.

TRANSPORTATION RELATED RESEARCH

Mr. CARR. I understand that the Department is working with the DOD to have transportation-related research funded by DOD's Technology Reinvestment Project.

Would you explain this program, and your efforts, to us?

[The information follows:]

DOT participates in both the principals group and the working group that are involved in the TRP program.

DOD makes the final approval of how funds are to be awarded in close consultation with the principals group.

Of the \$800 million total value, (including Federal and non-Federal match) of TRP funds that were awarded from fiscal year 1993 funds, about \$420 million were for transportation-related projects.

Several DOT operating administrations—FHWA, FAA, FTA, NHTSA and Marad—are agents for management of the funds for certain projects. ARPA will transfer the TPR award amounts for these projects to DOT for these modes to manage.

TRANSPORTATION-RELATED TRP AWARDS*

TECHNOLOGY DEVELOPMENT

1993 COMPETITION

<u>PROJECT</u>	<u>MODE</u>	<u>\$millions</u>
Aircraft Surface Contamination Detection Technology Advancement	FAA	\$2.4
Dual-Use Sensor Technology for Air Transportation System Capacity and Safety	FAA	16.2
Advanced Composites for Bridge Infrastructure Renewal	FHWA	21.0
Use of Buried Land-Mine-Detection Acoustic/Seismic Technology for the Measurement of Soil Compaction for Civil Construction Projects	FHWA	0.4
Commercial Shipbuilding Focused Development Project	MARAD	13.9
Portable Shipbuilding Robotics	MARAD	12.5
Advanced Automatic Train Control (ATC) System	FTA	39.0
Demonstration of Universal Electric Transportation Subsystems (DUETS)	FTA	8.3
Automotive Collision Avoidance System	NHTSA	12.2
TOTAL		----- \$125.9

* For which DOT has been named an agent

FAA'S ENGINEERING DEVELOPMENT

Mr. CARR. I am a little concerned about your definition of "research and development." I believe it excludes the FAA's engineering development work funded under F&E, which is over \$500 million a year.

Since this work clearly involves the development of new technology, and would easily be considered "R&D" in the Department of Defense's use of the term, why isn't it considered "R&D" by the Department of Transportation?

[The information follows:]

The projects included in Activity 1 of the F&E budget are not considered research and development in that these are primarily engineering development efforts with low technological risk which can be expected to progress to a production decision. Projects with high technological risk, and therefore requiring significant research prior to implementation or production, are funded in the R,E&D appropriation.

FAA has considered the DoD definition of research and development but finds that it would not accommodate major developmental efforts such as the Advanced Automation System (AAS) or the Voice Switching Communications (VSCS) programs. These programs which could normally be funded in R&D using a strict interpretation of the DoD definition would completely overwhelm the agency's relatively small R,E&D appropriations.

OVERHEAD RATES CHARGED BY UNIVERSITIES

Mr. CARR. As you may know, I have been concerned about the high overhead rate charged by universities against DOT research contracts. Last year, this committee asked the GAO to investigate the overhead rates. Their preliminary findings indicate that the average overhead rates for on campus research are about 40 percent of the basic direct costs.

Does the Department have any standards to judge whether 40 percent is too high an overhead rate?

[The information follows:]

The Department of Transportation does not set the overhead rates charged by universities. Each university sets a single overhead rate for all work done for the Federal Government. The rates are negotiated with the cognizant department that has the predominance of work with that university and that serve as the single audit agency for oversight of the university work. Generally, the Departments of Health and Human Service and Education set the rates.

Mr. CARR. Isn't it true that OMB has recently issued guidance capping the rate, government-wide, at 26 percent, and if so, shouldn't your costs be coming down, if the GAO data is correct?

[The information follows:]

The fiscal year 1995 President's Budget proposes to "freeze" overhead rates for one year. In preparation of the fiscal year 1995 Budget, the Department of Transportation reported a decline in indirect costs related to R&D performed by colleges and universities for the fiscal year 1993-94 period from \$12.3 million to \$10.2 million. Over 93 percent of these costs are associated with work done for the FAA. As a percentage of total university R&D expenditures, indirect costs accounted for 18 percent in fiscal year 1993 and 16 percent in fiscal year 1994. Under the freeze proposal, we would expect to hold at the fiscal year 1994 level.

TRANSIT BENEFIT PROGRAM

Mr. CARR. The Department of Transportation is one of the most generous agencies participating in the transit benefit program for Federal employees, providing up to \$60 a month tax free to employees who use mass transit. According to testimony last September,

over 4,800 DOT employees at headquarters were enrolled in the program, which is over 40 percent of the eligible workforce. However, as we have pointed out before, there is currently no requirement to show that these employees weren't already taking mass transit before receiving the subsidy.

Can you offer some statistics or evidence today to show that the transit subsidy has actually increased the number of DOT employees using mass transit for commuting?

[The information follows:]

DOT's participation in the transit benefits program has increased 35 percent from 3,614 when the program began to 4,884 as of this month.

Nearly one-fourth of these people changed from commuting to DOT by car to commuting by mass transit (229 parking passes were returned).

Mr. CARR. The September 1993 testimony from Assistant Secretary Stoll also indicates that some people are turning in their parking passes, most of which are allocated to car pools, and dropping out of van pools in order to receive the transit subsidy benefit.

What public purpose is achieved by paying people to drop out of one form of mass transit and signing up with another?

[The information follows:]

Even though we've had 1,110 people leave DOT carpools to join the transit benefit program, our aggressive promotion of ridesharing has enabled us to maintain an average of 3.3 people per vehicle parking at the DOT headquarters facilities.

Since the program began, we've had 108 people (about 25%) leave vanpools for transit benefits. These were private vanpools that didn't qualify for the transit benefit program. However, most of these spots were filled.

You may be interested to know that DOT has 251 vacant headquarters' parking space—nearly 8% of capacity—and no pending parking applications.

Mr. CARR. As I understand it, the transit benefit program has as one of its objectives the reduction of air pollution in urban areas.

Does DOT's implementation of that program restrict the subsidy to employees in areas which do not meet national ambient air quality standards?

[The information follows:]

No. DOT did not restrict its program to only those employees in areas which do not meet national ambient air quality standards. There is no statutory direction to make such a restriction.

INTELLIGENCE AND SECURITY OFFICE

Mr. CARR. As you know, last year this Committee expressed some serious reservations about the need for your Office of Intelligence and Security, given the need to reduce administrative overhead.

What can you tell us this year to show the critical, operational nature of this office?

[The information follows:]

This Office is not operational in nature, nor was it ever intended to be. The Office concentrates its efforts on policy matters; long range strategic planning; and most importantly, coordination and liaison with the Department and other agencies, with the Intelligence Community, and with the industry and the public in general. No other office at the Departmental level focuses on anti-terrorism; it provides a focal point within the Department on all matters affecting the security of the traveling public. The Office worked closely with the Coast Guard in preparing and publishing a Notice of Proposed Rulemaking on security for the 10 - 12 million Americans who take cruises each year, expedited the FRA rulemaking action extending the jurisdiction of railroad police, assisted in development of the FAA Proposed Rulemaking on Unescorted Access Privileges, and is actively participating in the ongoing rewrites of the aviation security regulations. The Office is working closely with the FAA to develop standards, test protocols, operational procedures for, and test, explosive detection systems, and is participating on a task force established to accelerate deployment of those systems. Without this Office, the Secretary would not have the ability to focus on security issues across the modes; security might once again be buried within the bureaucracy.

The Office coordinates action within the Department on threats to the traveling public; ensures appropriate countermeasures are taken by the operating administrations; and expedites and ensures public notification where appropriate. After determining security and intelligence data sharing was not well coordinated between DOT, the Intelligence Community, and the transportation industry, the Director met with the Director of NSA and Director of FBI to establish a closer working relationship between DOT and those agencies. The Director also met with the Deputy Director of Central Intelligence, resulting in a CIA liaison officer being assigned to DOT with expanded duties to include items of critical economic interest.

The Office ensures immediate access to the Secretary for security issues; furnishes the Secretary with timely and critical analytical summaries and recommendations on emergent threats. For the first time, the Secretary issued a suspension of service for both U.S. carriers and foreign air carriers between a foreign location and the U.S. The staff played a significant role in effecting this action, and expediting the suspension.

The Office provides cabinet-level authority in intermodal and interagency coordination, such as coordinating with INS, FAA, and DOS to complete an INS deportee flight, and helped develop contingency plans to avoid similar occurrences. This Office helped resolve a major dispute with the Postal Service on the mail and cargo security issue, and reached agreement with the FBI on interagency and local coordination.

The World Trade Center bombing and the plot to bomb various transportation assets in the New York area have shown the terrorist threat is alive, and has reached America's shores. There is a continued need for the Office of Intelligence and Security to ensure that appropriate attention is paid to security issues.

CIVIL RIGHTS CONSOLIDATION

Mr. CARR. I understand the Department has concluded its analysis of consolidating civil rights activities, which we requested in the fiscal year 1994 conference report.

What were your findings, and what is your plan of action for implementing them?

[The information follows:]

The Director of the Departmental Office of Civil Rights has completed a comprehensive review of the administration of civil rights functions in the Department of Transportation.

He has prepared a draft report of his findings and recommendations and distributed it for comment to heads of Operating Administrations (OA) and other Department officials.

Comments have been received and the Director is in the process of finalizing the report.

The review found that although the statutes governing Federal civil rights have grown dramatically since the 1960's, the Department's highly decentralized civil rights organizational structure has remained basically unchanged.

There is a strong and widely held belief that DOT is not doing its job in civil rights and that civil rights responsibilities in DOT have been long neglected.

In the past year, some important steps have been taken to address this situation, but they are not sufficient to cure the widespread systemic deficiencies which were identified.

Civil rights staff are not well deployed and the structure is top heavy with multiple layers of management. The current structure creates an overlap between the Departmental Office of Civil Rights' responsibilities and those of the Operating Administrations' civil rights offices. Regional civil rights staff are insufficient in number and often do not have a sufficient degree of independence or the expertise to enforce civil rights laws adequately.

The current responsibilities of the Departmental Office of Civil Rights are untenable. It is not feasible or desirable for a small headquarters staff to have both policy and operational responsibilities. This small office cannot "steer" and "row" at the same time and, at present, it is doing neither effectively.

Further, the allocation of authority between the Departmental Office of Civil Rights, headquarters OA civil rights offices, and OA regional offices is inappropriate in that headquarters staff get involved in relatively minor decisions while regional staff make important ones independently.

Additional responsibilities and workload flowing from the Americans with Disabilities Act and the Executive Order on Federal Actions to Address Environmental justice for Minority Populations and Low-Income Populations increase the urgency for DOT to use its civil rights resources as efficiently and effectively as possible.

Changes in structure and deployment of staff are necessary to create a viable civil rights program in DOT, but they are not sufficient.

Training, closer working relationships with legal staff, increased support by DOT management, and the adoption of new approaches to accomplishing objectives are needed.

Mr. CARR. What budgetary impact do you expect for fiscal year 1995?

[The information follows:]

There will be no change in the Department's overall budget request for fiscal year 1995. However, depending on the Secretary's decision, transferring funds between accounts will be needed in fiscal year 1995. As soon as the Secretary has made his decision, we will inform the Subcommittee of the budgetary adjustments that are necessary.

Mr. CARR. What evidence do you have to show us that this will not harm, but improve, the civil rights and equal employment opportunity complaint processes in the Department?

[The information follows:]

The results of our review of civil rights functions in the Department revealed numerous impediments to an effective and efficient civil rights program in the Department, with respect to the processing of equal employment opportunity (EEO) complaints. Current procedures call for multiple layers of review largely because of the existing organizational structure. There is little coordination among operating administrations which results in a lack of consistency in the application of applicable policies and standards. Employees do not work full-time on EEO matters which often results in sub-par performance. There is a tension between ensuring that complainants get fair consideration and protecting management interests.

These are problems we would hope to correct.

DISADVANTAGED BUSINESS ENTERPRISES IMPACTED BY CIVIL RIGHTS CONSOLIDATION

Mr. CARR. As part of this analysis, have you looked specifically at the Disadvantaged Business Enterprises program for minority airport concessionaires? As I understand it, the current process provides a linkage between personnel monitoring the DBE set-aside requirement and those providing airport grants, which gives the enforcement process more clout.

How would your restructured organization provide the same level of enforcement for minority concessionaires at our airports?

[The information follows:]

As part of the review of the Department's current civil rights program, the Disadvantaged Business Enterprise (DBE) program was considered; specifically as it is implemented in the Federal Aviation Administration. In general, there is a linkage between program and civil rights staff in administering aspects of the DBE program. As noted in the report, we envision that these cooperative relationships would remain intact and that the operating administration would continue to be accountable for ensuring that proposed projects comply with DBE and other civil rights requirements. In the event of disagreement between program staff and civil rights staff, deference would be shown to the operating administration's expertise.

At the same time, we found that under current conditions civil rights staff are impeded from doing their jobs effectively. For example, a 1993 report of the U.S. Commission on Civil Rights found that FAA has never finalized its guidelines for conducting DBE compliance reviews and that in at least one region it relies on desk audits to verify compliance reviews and that in at least one region it relies on desk audits to verify compliance, a procedure which the Commission finds to be insufficient for determining compliance. In addition, regional civil rights staff in FAA report to regional administrators, and there is no reliable mechanism to ensure consistency of application of civil rights laws among its regions. Last, in general, regional civil rights staffs are small in number and do not possess the "critical mass" of expertise and resources needed to do an effective job. (The importance of having civil rights staff report to civil rights supervisors and the need for a critical mass of civil rights staff were identified as necessary components of an effective civil rights enforcement program by the Acting Assistant General for Civil Rights in a February 2, 1994 letter to the Department's Civil Rights Director.)

Thus, under a consolidated office of civil rights the level of enforcement in the DBE program would be increased.

FINANCIAL MANAGEMENT AUDITS

Mr. CARR. We are constantly being told by supporters of the Chief Financial Officers Act that CFO audits will achieve better management and program savings. Last year, the Department completed rather extensive CFO audits of the Airport and Airway Trust Fund and the various Coast Guard trust funds.

What program savings do we see in your fiscal year 1995 budget as a result of either of these audits?

[The information follows:]

Due to the \$1 million financial statement audit limitation placed on the OIG, none of the United States Coast Guard trust fund fiscal year 1992 Financial Statements were audited in fiscal year 1993. However, an audit of the Coast Guard's Oil Spill Liability Trust Fund is being conducted this fiscal year.

We are not aware of any specific savings in our fiscal year 1995 budget directly attributable to the Airport and Airway Trust Fund CFO audit. However, we see CFO audits in general as helping our Department and its operating administrations to improve general and financial management policies, practices, and systems. This will in turn assist program managers to better base their decisions on timely, accurate financial information. Such decisions should reduce cost and produce management improvements in all program areas. Also, CFO audits should help in deterring fraud, waste, and abuse of resources, resulting in savings.

The CFO Act also mandated the establishment of financial and programmatic performance measures which are consistent with the information in the financial statements. As we attain more experience with developing and using these performance measures, we will be able to better ascertain actual program accomplishments, including cost savings.

Mr. CARR. Did you restructure or redirect any programs as a result of these audits in order to achieve management efficiencies?

[The information follows:]

While we do not know of any current restructuring or redirecting of programs directly attributable to financial statement audits, these audits could result in future restructuring or redirecting of programs. Financial statement audits focus on entities' overall financial operations and implementation of audit recommendations can be beneficial to multiple programs.

With the aid of auditor recommendations, the Department is refining its performance measures to further assure the accuracy, validity, and usefulness of these measures so they reflect actual program accomplishments more precisely. As we attain more experience in developing and evaluating performance measures and following up on the resultant audit findings and recommendations, we will be able to achieve management and program savings which, in some cases, may result in restructuring and redirecting of programs.

SAVINGS FROM IMPLEMENTATION OF THE CFO ACT

Mr. CARR. In past years, the Inspector General has been unable to tell us any specific problems which would be solved, or any specific program savings to be achieved, from the CFO Act. Last year, she told us, "I am sure it (the CFO Act) will add to something. The question is whether it will add up to enough to justify the huge expenditures of money on the CFO Act. I do not know the answer to that question. I cannot say that CFO Act audits will, in our experience, be the best use of the \$3.6 million, because I might be able to get better results from doing something else."

While not wildly supportive, that statement is at least a stronger endorsement than given by the previous transportation IG, who was flat-out opposed to the CFO Act as being a waste of time and money.

Now that the Department has formally named as its Chief Financial Officer and reorganized its activities to expand in this area,

I would hope that you could give us some concrete examples of savings to be achieved by implementing the CFO Act in a broader way. Do you have such examples?

[The information follows:]

To our knowledge, the Department has not realized specific cost savings directly attributable to the CFO Act. However, we see the Act driving our Department to improve its financial management (FM) practices and systems so that program managers are basing their decisions on timely, accurate financial information. Such decisions should reduce cost and produce management improvement in all program areas.

The CFO Act also mandated the establishment of financial and programmatic performance measures which are consistent with the information in the financial statements. As we attain more experience with developing and using these performance measures, we will be able to better ascertain actual program accomplishments.

TRANSFER STAFF FOR FINANCIAL MANAGEMENT

Mr. CARR. In your fiscal year 1995 budget, you propose to almost double the budget for the Office of the Assistant Secretary for Budget and Programs, due largely to a transfer of financial management and accounting staff from the Assistant Secretary for Administration.

How will this transfer aid the Department's financial management?

[The information follows:]

Looking at financial management (FM) from a global sense, it is clear that program evaluation, budget formulation, and budget execution are linked to the functions and responsibilities associated with FM activities. The merging of FM activities with budget and program activities gives the Department's CFO a complete FM organization. One of the first things we are doing is the development of financial management information that will assist program management.

ACCOUNTING STAFF TRANSFERS

Mr. CARR. What specific accounting positions are being transferred, and why is it more appropriate to consider those activities as part of "budget and programs" rather than "administration"?

[The information follows:]

The Office of Financial Management in its entirety was moved under the Department Chief Financial Officer, including accounting, financial, and travel policy; asset management; and accounting services. These functions all clearly fall under the auspices of the agency CFO per section 902 of the CFO Act of 1990. It is also clear that program evaluation, budget formulation, and budget execution are supported by the functions associated with financial management activities. Consequently, the integration of the financial management and budget and program activities give the Department a more comprehensive CFO organization.

TRANSFER OF SYSTEMS DEVELOPMENT

Mr. CARR. Why didn't you also move financial management systems development, such as the Integrated Personnel and Payroll System, into this appropriation?

[The information follows:]

Although the overall responsibility for DOT's financial systems resides in the new CFO organization, the development of standard departmental systems must be accomplished through an integrated strategy that addresses software development, hardware, telecommunications, and relationships with other administrative and program systems. Therefore, the CFO will provide the overall direction on financial system needs and priorities. However, the development of these systems will be accomplished under the Assistant Secretary of Administration, the Department's senior IRM official.

CFO CONSOLIDATION REQUIREMENTS

Mr. CARR. Is any of this consolidation required by the Chief Financial Officers Act or by any other statute, or is it the Department's discretionary decision?

[The information follows:]

Section 206 of the Chief Financial Officers Act of 1990, Pub. L. 101-576, required agencies, including the Department of Transportation, to review their financial management activities for the purpose of consolidating accounting, budgeting, and other financial management activities under the agency Chief Financial Officer and to submit a proposal to the Director of the Office of Management and Budget (OMB) for reorganizing the agency for the purposes of the Act. After studying various options, the Department proposed to the Director of OMB that all financial management activities be transferred to the Office of the Assistant Secretary for Budget and Programs.

The Chief Financial Officers Act requires the agency to implement the proposal approved by the Director. The Department's reorganization proposal was approved on January 7, 1994. (Copy enclosed).



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

JAN 7 1994

THE DIRECTOR

Honorable Federico Peña
Secretary
Department of Transportation
Washington, DC 20590

Dear Mr. Secretary:

We are pleased to approve your organizational proposal (dated November 18, 1993 and amended December 21, 1993), placing additional financial management responsibilities under the Assistant Secretary for Budget and Programs, and designating that position as the Chief Financial Officer (CFO) of the Department of Transportation.

The new structure vests CFO responsibilities under a Presidentially-appointed and Senate confirmed official as required by the Chief Financial Officers Act (P.L. 101-576). Under the Department's former CFO organizational structure, the CFO responsibilities were vested in the Assistant Secretary for Administration who is by statute in a Career Reserved Senior Executive Service position. This resolves a situation whereby the CFO served in an "Acting" capacity for the past several years.

Under the new structure, the Assistant Secretary for Budget and Programs will be responsible for budget as well as financial management. We believe that the integration of budget and finance functions as described in your proposal is a preferable approach to implementation of the CFOs Act since it vests essential agency financial activities in one accountable official.

I support your efforts to strengthen the Department's financial management and look forward to continuing to work with you on this and other matters which will allow the Federal Government to function as effectively as possible. As you move forward on implementation of this reorganization, please keep us informed of your progress and provide Mr. Michael Wank of the Management Integrity Branch copies of the implementing documents.

Thank you.

Sincerely,

Original Signed By
Leon E. Panetta

Leon E. Panetta
Director

IVHS COORDINATION

Mr. CARR. Last year, the appropriations conferees directed that, out of available funds for the Office of the Assistant Secretary for Transportation Policy, at least one full-time position be established to monitor and coordinate IVHS policy across the modal administrations.

What is the status of filling this position?

[The information follows:]

Unfortunately, without additional funds, it was impossible to create a new position in the Policy Office to monitor and coordinate IVHS Policy across the modal administrations.

However, one staff member in the Policy Office essentially devotes all of his time to IVHS policy analysis and coordination activities. In addition, two other senior members of the office devote considerable amounts of their time to IVHS activities.

Mr. CARR. There were some indications that this individual will report to officials in the Federal Highway Administration, which would run counter to the objective of having a position to monitor and coordinate IVHS work in all the modes, and might offer the perception that the position is not independent of the Federal Highway Administration.

What will be the reporting chain of command for this position?

[The information follows:]

The FHWA has established an IVHS program office and the director reports to the Administrator. However, the Policy Office staff member is an OST employee totally independent of the FHWA and reports to the Assistant Secretary for Transportation Policy within OST.

COMMUNICATION IN REGULATORY PROCESS

Mr. CARR. Organizations which deal with the Department on a regular basis have experienced a change in the degree of direct communications with agency officials, particularly after issuance of a notice of proposed rulemaking. It would seem that the Department should be encouraging more communication, not less, particularly since these usually are complicated matters and new information might become available after the comment period when an NPRM is closed.

Could you clarify the Department's policy for communicating with interested parties before and after NPRMs are issued?

[The information follows:]

It is the policy of the Department of Transportation to encourage full and fair public participation in any rulemaking action. Moreover, Secretary Peña recently directed a number of actions in the rulemaking area that will provide even greater opportunities for communication for all members of the public. For example, he has directed the use of more informal public meetings where the government and the public can discuss issues rather than having the government merely receive "testimony." He has asked that we use telecommunication facilities to increase the opportunities for all to participate in our public hearings and meetings. He has asked the Department to expand its use of regulatory negotiation, where representatives of interests affected by a rule negotiate its contents. Finally, he has directed the "computerization" of our rulemaking dockets; among other things, this will allow people all over the country to read what is in those files. The Department has a policy that is very open to public communication but tries to do it in a way that is fair to all who wish to have an equal chance to participate.

There is, of course, a specific period for public comment following the issuance of a notice, either an NPRM or an Advance NPRM. (If an ANPRM is issued, no rulemaking is adopted until there is a formal NPRM proposal and another public comment period.) The Department and its operating administrations also hold publicly announced meetings in many cases, where any interested person can come and present his or her views.

From all of this, I hope you can see that the Department takes the public comment process very seriously. Ensuring that all interested persons have a full opportunity to participate in our rulemakings is more than a routine procedural step; it is an affirmative duty, and one we take on eagerly. We actively encourage comment from companies affected by our rules, from their employees and unions, from state, local, and tribal governments, from professional organizations such as the American Medical Association and American Bar Association, and from individual members of the public as consumers and taxpayers.

Because of the importance we place on giving all members of the public an equal opportunity to make their views known, the Department has for many years discouraged non-public oral contacts, especially after the close of the public comment period. It is extremely difficult to assure that all interested parties are aware of comments made at this stage, even if reported and docketed; many people would have no reason to check the docket after the close of the comment period. Even if a summary is kept, many may question the accuracy of the summary. Comments made after that point may also form the basis for a court challenge to the rulemaking. If it is necessary to receive comments at this stage, the Department's policy is, if possible, to open the meeting to all interested persons. However, Department personnel are not restricted from making oral contacts with commenters for the purpose of obtaining factual information or clarifying a comment.

Whenever a substantive non-public communication is received about a rulemaking, either before, during or after the public comment period, department personnel are required to make a report, summarizing the substance of the communication, although, as noted above, the summary may not always be satisfactory.

Mr. CARR. To what degree are limitations placed on these communications after a comment period is closed?

[The information follows:]

The answer to the previous question also responds to this question. The Department discourages such communications. When they do occur (inadvertently or deliberately), a public record must be kept, and, if possible, other interested persons should be given an opportunity to participate. On occasion, the Department has determined that the only way to ensure fairness was to publicly announce the *ex parte* communication and reopen the public comment period.

Mr. CARR. Have new policies been established in this administration?

[The information follows:]

As discussed above, Secretary Pena has undertaken a number of initiatives to expand the public's opportunities to participate in our rulemakings. Otherwise, however, the policies described above grow out of a DOT Order issued in 1970. The Department's interpretation of the requirements on *ex parte* communications has remained consistent since then.

TRAVEL EXPENSES

Mr. CARR. Please update the travel cost data shown on page 570 of last year's hearing record by providing data for fiscal years 1991 through 1995.

[The information follows:]

SALARIES AND EXPENSES—TRAVEL AND TRANSPORTATION OF PERSONS

(In thousands of dollars)

	Fiscal year—				
	1991 actual	1992 actual	1993 actual	1994 estimate	1995 estimate
General Counsel	75	57	32	60	60
Policy-EAS	17	19	.....	.....	.....
Policy-Other	107	97	.....	.....	.....
Transportation Policy .....	.....	.....	25	24	24
Policy-Aviation/international .....	.....	.....	116	85	85
Budget and Programs	6	13	21	25	32
Government Affairs	23	18	14	18	18
Administration-Core	73	77	102	75	83
Admin.-Systems	50	79	77	.....	.....
Public Affairs	18	20	26	13	24
Secretarial Offices	291	272	252	244	307
Immediate Office of the Secretary	[152]	[112]	[131]	[135]	[135]
Deputy Secretary	[15]	[18]	[31]	[40]	[40]
Total	660	652	665	544	633

OVERSEAS TRAVEL

Mr. CARR. Please also update the table on overseas travel as shown on pages 571–582 of last year's hearing record beginning from the end date of last year's submission and bringing it up to date. Please separately list trips of each secretarial office in the manner shown last year.

[The information follows:]

OFFICE OF GENERAL COUNSEL
(4/1/93 - 4/15/94)

<u>Destination</u>	<u>Purpose</u>	<u>Duration (Days)</u>	<u>Cost</u>	<u>No. of Persons</u>
London, England	Participate as a member of U.S. Delegation in Aviation Negotiations	7	\$1,809	1
Bonn, Germany	Participate as a Member of U.S. Delegation in Aviation Negotiations	3	\$1,504	1
London, England	Participate as a member of U.S. Delegation in Aviation Negotiations	7	\$2,303	1
London, England	Participate as a member of U.S. Delegation in Aviation Negotiations	5	\$1,903	1
Sydney & Canberra, Australia	Participate as a member of U.S. Delegation in Aviation Negotiations	10	\$2,937	1
Bonn, Germany	Participate as a member of U.S. Delegation in Aviation Negotiations	5	\$1,714	1
Bonn, Germany	Participate as a member of U.S. Delegation in Aviation Negotiations	4	\$1,428	1
Saudi Arabia, United Arab Emirates, Bahrn, Belgium	Participate as a member of U.S. Delegation on Transportation Policy	6	\$ 162	1
London, England	Participate as a member of U.S. Delegation in Aviation Negotiations	5	\$1,761	1

OFFICE OF GENERAL COUNSEL
(4/1/93 - 4/15/94)

<u>Destination</u>	<u>Purpose</u>	<u>Duration (Days)</u>	<u>Cost</u>	<u>No. of Persons</u>
Beijing, China	Participate as a member of U.S. Delegation in Maritime Negotiations	8	\$3,147	1
London, England	Participate as a member of U.S. Delegation in Aviation Negotiations	4	\$3,717	2
London, England	Participate as a member of U.S. Delegation in Aviation Negotiations	3	\$ 770	1

ASSISTANT SECRETARY FOR AVIATION & INTERNATIONAL AFFAIRS

DESTIN	PURPOSE	NO_DAYS	COST	NO_PERSONS
LONDON, ENGLAND	TO SPEAK AT THE CONFERENCE ON THE FUTURE INT'L. REGULATION OF AIR TRANSPORT IN LONDON	3	363	1
LONDON, ENGLAND	TO ATTEND US-UK WORKING GROUP FOR DISCUSSIONS ON US-UK BILATERAL AVIATION RELATIONS	6	2169	1
LONDON, ENGLAND	TO PARTICIPATE AS MEMBERS OF THE US DELEG. F/CIVIL AVIATION NEGOT. W /BRITISH GOVT.	6	2057	1
LONDON, ENGLAND	TO PARTICIPATE IN SETTLEMENT NEGOT. ON LHR ARBITRATION	14	3757	2
LONDON, ENGLAND	TO PARTICIPATE IN SETTLEMENT NEGOT. ON LHR ARBITRATION	3	755	1
MAYLASIA AND NEW ZEALAND	TO SERVE AS CO-CHAIR OF THE PLENARY MTG. OF THE ASIA PACIFIC ECONOMIC COOP.&SPEAK AT THE TWG MTG.	11	2951	1
MEXICO CITY, MX	TO FINALIZE THE AGENDA FOR THE NORTH AMER. TRANSPORTATION SUMMIT	2	966	1
MONTERREY, MEXICO	TO PARTICIPATE IN THE NORTH AMER. RD. TRANSPORT CONFERENCE IN MEXICO 9/26-30	4	1622	1
NASSAU, BAHAMAS	TO PARTICIPATE IN BILATERAL CIVIL AVIATION CONSULTATIONS RE: AVIATION SAFETY OVERSIGHT	5	1400	1
OTTAWA, CANADA	TO ATTEND THE US-CANADA MOTOR CARRIER CONSULTATIVE MECHANISM ANNUAL MTG	8	1809	2
OTTAWA, CANADA	ATTEND AVIATION MTG. TO DISCUSS A RESUMPTION OF AVIATION MTGS.	2	1054	2
PARIS, FRANCE	JOINT OEDC/ECMT STUDY OF URBAN TRAVEL & SUSTAINABLE DEV.	4	1738	1
PARIS, FRANCE	TO REP. DOT AT THE PLENARY SESSION OF THE OECD SHIPBUILDING NEGOTIATIONS	7	1937	1
PARIS, FRANCE	TO REPRESENT THE US IN THE FINAL MTG. OF THE JOINT OEDC/ECMT STUDY OF URBAN TRAVEL ETC.	2	1068	1
SANTA FE, NEW MEXICO	TO REVIEW TRAVEL MODEL WORK BEING DEMONSTRATED BY LOS ALAMOS NATIONAL LABORATORY	3	871	1
SANTA,FE, NEW MEXICO	TO ATTEND THE NAT'L. INITIATIVE ON RURAL AMERICA ANNUAL LEADERSHIP MTG.	4	600	1
SAUDI ARABIA	TO ACCOMPANY THE SECY.OF TRANSP. TO OFFICIAL MTGS. W/HIS COUNTERPARTS	5	1000	1
SHANGHAI, CHINA	TO REP. DOT & PARTICIPATE IN THE US DELEGATION ON THE US-CHINA EXECUTIVE SECRETARIAT MTG.	7	2996	1
SINGAPORE,AUSTRALIA,&LA	TO REPRESENT DOT AT THE INT'L. AIR TRANSPORT ASS.F/AIRPORT SLOT ALLOCATION MTG	14	5538	1
TURIN, ITALY	TO SPEAK AT OPENING OF NEW TERMINAL AT TURIN ITALY AIRPORT AND RELATED MTGS	4	96	1

ASSISTANT SECRETARY FOR AVIATION & INTERNATIONAL AFFAIRS

DESTIN	PURPOSE	NO_DAYS	COST	NO_PERSONS
ANTIGUA	TO CONDUCT CONSULTATIONS W THE ORGANIZATION OF EASTERN CARIBBEAN STATES RE:SAFETY OF AIRLINES	4	1627	1
AUSTRALIA	TO PARTICIPATE IN THE US-DELEGATION IN AVIATION NEGOTIATIONS W/AUSTRALIAN GOVT.	8	2943	1
BONN, GERMANY	TO PARTICIPATE IN US GERMANY AVIATION BILATERAL NEGOTIATIONS	10	3664	2
BONN, GERMANY	TO PARTICIPATE IN US-GERMANY AVIATION BILATERAL NEGOTIATIONS	10	2892	2
CANBERRA, AUSTRALIA	TO PARTICIPATE IN AVIATION NEGOTIATIONS W/ THE AUSTRALIAN GOVT.	18	6503	2
DUSSELDORF, GERMANY	TO PARTICIPATE IN MTG. OF THE JOINT OECD/ECMT STUDY & INT'L.CONF. ON TRAVEL IN THE CITY	3	1818	1
GENEVA, SWITZERLAND	TO REPRESENT THE DOT AT THE GATT NEGOTIATIONS AND THE OECD SHIPBUILDING NEGOTIATIONS	21	4609	1
GENEVA, SWITZERLAND	TO ATTEND MTGS. OF A GROUP OF NEGOTIATIONS ON SERVICES OF THE GENERAL AGREEMENT ON TARIFFS & TRADE	7	1197	1
GENEVA, SWITZERLAND	TO REP DOT AT THE GENERAL AGREEMENT TRADE & SERVICES NEGOTIATIONS	6	1755	1
GENEVA, SWITZERLAND	REPRESENT THE US AT THE 44TH-WORKING PARTY ON TRANSPORTATION STATISTICS	7	378	1
GUATEMALA	TO CONDUCT CONSULTATIONS WITH THE GOV'T. OF GUATEMALA CONCERNING ITS SAFETY OVERSIGHT	4	1145	1
HONG KONG,BEIJING,CHINA	TO NEGOTIATE W/THE CHINESE AND MACANESE GOV'TS.	12	3860	1
JAMAICA	TO PARTICIPATE IN US-CANADA-JAMAICA MTG.TO PLAN A STRATEGY F/SMOKING BAN ON FLIGHTS IN WEST. HEMISP	3	1018	1
LONDON, ENGLAND	FOR DISCUSSIONS ON US-UK BILATERAL AVIATION RELATIONS	6	1553	1
LONDON, ENGLAND	TO PARTICIPATE IN LIBERALIZATION TALKS W/THE BRITISH GOVT.	6	2681	2
LONDON, ENGLAND	TO NEGOTIATE A NEW AVIATION AGREEMENT	6	2095	1
LONDON, ENGLAND	TO PARTICIPATE IN A WORKING GROUP ON HEATHROW ACCESS AND CAPACITY ISSUES	6	1937	1
LONDON, ENGLAND	TO PARTICIPATE IN LIBERALIZATION TALKS W/ THE BRITISH GOVT.	16	4405	2
LONDON, ENGLAND	SUPPORT FOR SECY PENA DURING MTG. W/JOHN MACGREGOR	3	1264	1

OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION(4/16/93 - 4/15/94)

<u>Destination</u>	<u>Purpose</u>	<u>(Days)</u>	<u>Cost</u>	<u>Persons</u>
London	Secretary's Office Staff Support	3	\$1,536	1
Belgium/United Arab Emirates	Secretary's Office Staff Support	5	\$12,292	3
Hawaii	Inspection of USCG Facilities	6	\$1,864	1

Office of Public Affairs

Overseas travel - 1/1/93 - 4/12/94

<u>Destination</u>	<u>Purpose</u>	<u>Duration</u>	<u>Cost</u>	<u>Persons</u>
Lisbon, Portugal, Jeddah Riyadh, Saudi Arabia AbuDhabi, United Arabia Emirates, Dubai, U.A.E. Manama, Bahrain, Brussels, Belgium	Secretary Office support	6 days	\$286	1

IMMEDIATE OFFICE OF THE SECRETARY

(5/1/93 - 4/30/94)

<u>Destination</u>	<u>Purpose</u>	<u>Duration</u>	<u>Cost</u>	<u>No. of Travelers</u>
Jeddah & Riyadh	In general, to foster communications and support	5	\$8384	4
Saudi Arabia	with international counterparts			
Abu Dhabi,	and American businesses in the			
Dubai, United	field of transportation technology.			
Arab Emirates	Meetings on International Airports			
Manama,	Project; Hajj Terminal; Saudia Airlines;			
Bahrain	signing ceremony for Civil Aviation Agreement;			
Brussels,	Interview with Middle East Broadcasting Group;			
Belgium	tour Al-Masmak Fort, Al-Salam Maintenance Facility; highway construction project; signing of Joint Communique			
	Meetings with American Business Group of Abu Dhabi Steering Committee; U.A.E.			
	President. Meetings with Amir of Bahrain; Minister of Development and Industry and Minister of Transportation. Meetings with European Community Transport Minister; Belgian Minister; Commissioner for Competition; and Aviation Policy Chairman			

The above itinerary represents one (1) overseas trip

OFFICE OF INTELLIGENCE AND SECURITY

(5/1/93 - 4/30/94)

<u>Destination</u>	<u>Purpose</u>	<u>Duration (Days)</u>	<u>Cost</u>	<u>Persons</u>
5/2 - 5/16 London, England Frankfurt, Germany Paris, France Amsterdam, The Netherlands	Review current civil aviation security requirements; compare FAA & host national security requirements; and, identify possible duplicity of requirements at each airport. Identify security measures required of U.S. carriers but not other carriers, and evaluate operational impact of such. Attend ECAC security meeting in Paris.	14	\$7,415.75	2
(7/6 - 7/10) Montreal, Quebec, Canada	Attend the international Civil Aviation Organization's Security Panel Seventh Meeting in Montreal.	4	\$1,200.00	1
(7/7 - 7/10) Montego Bay, Jamaica	Attend the American Association of Port Authorities Cruise 1993 Special Seminar on Cruise Terminal Operations and Security	3	\$1,140.00	1

OFFICE OF COMMERCIAL SPACE TRANSPORTATION

(5/2/93 - 3/1/94)

<u>Destination</u>	<u>Purpose</u>	<u>Duration (Days)</u>	<u>Cost</u>	<u>No. of Persons</u>
Brussels, Belgium and Moscow, Russia	To participate in negotiations with the Russian Government on an agreement for trade in commercial launch services. A side trip to Brussels was included to participate in United States Trade Representative-led discussions with the European community on their views on Russian participation in the space launch market.	6	\$5,950	2
Singapore	To attend and participate in the Seventh Annual Asian Aerospace '94, the largest aerospace and technology exhibition serving the Asian market.	12	11,139	3

No foreign travel for this reporting period for the following offices:

ASSISTANT SECRETARY FOR TRANSPORTATION POLICY
ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS
ASSISTANT SECRETARY FOR GOVERNMENTAL AFFAIRS
DEPUTY SECRETARY
EXECUTIVE SECRETARIAT
CONTRACT APPEALS BOARD
OFFICE OF CIVIL RIGHTS
OFFICE OF DISADVANTAGED BUSINESS UTILIZATION

OST STAFFING TABLE

Mr. CARR. Please update the OST staffing/employment table found on page 584 of last year's hearing record by providing data for fiscal years 1992-1995.

[The information follows:]

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY
AUTHORIZED POSITIONS AND EOY EMPLOYMENT
FY 1992-1995

	FY 1992 ACTUAL			FY 1993 ACTUAL			FY 1994 ESTIMATE			FY 1995 REQUEST		
	AUTH. POS.	EOY EST.	EOY ACTUAL	AUTH. POS.	EOY EST.	EOY ACTUAL	AUTH. POS.	EOY EST.	AUTH. POS.	EOY EST.	EOY EST.	
<u>SALARIES & EXPENSES</u>												
General Counsel	100	99	93	100	97	87	98	95	97	94		
Policy - EAS	21	20	20	-	-	-	-	-	-	-		
Policy - Other	143	143	128	-	-	-	-	-	-	-		
Transportation Policy	-	-	-	39	35	33	39	33	36	32		
Aviation/International Affairs	-	-	-	125	114	109	125	109	119	107		
Budget and Programs	38	35	33	37	36	35	37	33	55	51		
Governmental Affairs	43	41	36	40	38	36	37	36	37	36		
Administration	183	179	183	199	193	190	190	183	158	159		
Admin-Systems Development	53	53	13	4	4	7	0	0	0	0		
Public Affairs	26	24	22	25	25	22	23	22	23	22		
Secretarial Offices	106	98	100	97	92	89	97	94	101	98		
Subtotal	713	692	628	666	634	608	646	605	626	599		
<u>TRANSPORTATION PLANNING, RESEARCH, & DEVELOPMENT</u>												
Policy	18	18	23	18	18	25	16	16	14	14		
Systems Development	-	-	-	-	-	-	8	8	8	8		
OPERATIONS & RESEARCH (OCST)	24	24	25	24	23	23	27	26	33	32		
<u>WORKING CAPITAL FUND</u>	331	328	330	334	331	309	332	323	352	352		
TOTAL-OST	1,085	1,062	1,006	1,042	1,006	965	1,029	978	1,033	1,005		

Note: EOY date excludes reimbursable position and other than full-time personnel which ARE BOTH included in the calculation of FTE.
1/ NB-FTE calculation of 29 assumes phased hiring of 6 new positions.

DOT STAFFING

Mr. CARR. Please also update the DOT staffing breakdown shown on pages 586-589 of last year's hearing record.
[The information follows:]

DEPARTMENT OF TRANSPORTATION
 AUTHORIZED POSITIONS FY 1993 - 1995

ADMINISTRATION/APPROPRIATION	FY 1993		FY 1994		FY 1995
	Request	Approved	Request	Approved	Request
FEDERAL HIGHWAY ADMINISTRATION	3,825	3,825	3,825	3,825	3,825
Limitation on Gen. Oper. Expenses	3,372	3,372	3,372	3,372	3,372
Federal-Aid Highways	245	245	245	245	245
Allocations/Reimbursements	193	193	193	193	193
Miscellaneous Trust Funds	15	15	15	15	15
NAT'L HIGHWAY TRAFFIC SAFETY ADMIN.					
Operations and Research	669	668	667	667	662
FEDERAL RAILROAD ADMINISTRATION	795	755	784	780	785
Office of the Administrator	197	195	195	191	192
Railroad Safety	576	537	566	566	566
Railroad Research & Development	22	23	23	23	23
Next Generation High-Speed Rail	---	---	---	---	4
FEDERAL TRANSIT ADMINISTRATION					
Administrative Expenses	505	487	480	480	496
FEDERAL AVIATION ADMINISTRATION	55,953	55,953	54,467	54,415	53,143
Operations	52,251	52,251	50,865	50,813	49,541
Reimbursements	490	490	390	390	390
Facilities and Equipment	2,504	2,504	2,504	2,504	2,504
Reimbursements	55	55	55	55	55
Research, Eng. & Development	645	645	645	645	645
Reimbursements	6	6	6	6	6
Aviation Insurance Revolving Fund	2	2	2	2	2
U S COAST GUARD	46,261	45,836	45,250	44,950	43,824
Operating Expenses	5,284	5,169	5,072	5,032	4,920
Reimbursements	22	22	22	22	23
Military	38,591	38,286	37,840	37,592	36,589
Reimbursements	132	127	116	116	107
Acquisition, Const., & Improvements	305	303	303	318	325
Military	345	347	411	386	432
Environmental Comp. & Restoration	62	62	62	62	61
Military	11	11	11	11	11
Reserve Training	106	106	106	104	104
Military	570	570	482	482	447

DEPARTMENT OF TRANSPORTATION
AUTHORIZED POSITIONS FY 1993 - 1995

ADMINISTRATION/APPROPRIATION	FY 1993		FY 1994		FY 1995
	Request	Approved	Request	Approved	Request
U.S. COAST GUARD (cont.)					
Research, Development, Test, & Eval.	96	96	93	93	85
Military	59	59	54	54	42
CG Yard Fund	654	654	654	654	654
Military	24	24	24	24	24
ST LAWRENCE SEAWAY DEVELOPMENT CORP.					
SLSDC Fund	179	177	174	174	168
OFFICE OF THE INSPECTOR GENERAL					
Salaries and Expenses	507	497	489	489	454
RESEARCH AND SPECIAL PROGRAMS ADMIN.	792	802	803	803	832
Research and Special Programs	211	215	216	216	205
Pipeline Safety	66	72	72	72	75
Transportation Systems Center	515	515	515	515	515
Transportation Safety Institute	0	0	0	0	37
OFFICE OF THE SECRETARY	1,119	1,102	1,087	1,077	1,070
Salaries and Expenses	694	666	662	646	626
Reimbursements	46	60	48	48	37
Transportation Planning, Res. & Dev.	18	18	18	24	22
Office of Commercial Space Trans.					
-Operations and Research	27	24	27	27	33
Working Capital Fund	334	334	332	332	352
BUREAU OF TRANSPORTATION STATISTICS					
BTS	12	12	12	12	12
TOTAL, Department of Transportation (Excluding Maritime Administration)	110,617	110,114	108,038	107,672	105,271
	=====	=====	=====	=====	=====
Civilian	70,885	70,690	69,100	69,007	67,619
Military	39,732	39,424	38,938	38,665	37,652

Note: In some accounts "positions" are lower than "full-time equivalent". This is due primarily to the use of part-time, temporary, or intermittent employees.

DEPARTMENT OF TRANSPORTATION
FULL TIME EQUIVALENT FY 1993 - 1995

ADMINISTRATION/APPROPRIATION	FY 1993		FY 1994		FY 1995
	Request	Approved	Request	Approved	Request
FEDERAL HIGHWAY ADMINISTRATION	3,928	3,971	3,909	3,909	3,849
Limitation on Gen. Oper. Expenses	3,406	3,453	3,399	3,399	3,347
Federal-Aid Highways	282	280	270	276	271
Allocations/Reimbursements	226	224	226	220	217
Miscellaneous Trust Funds	14	14	14	14	14
NAT'L HIGHWAY TRAFFIC SAFETY ADMIN.					
Operations and Research	674	691	683	683	667
FEDERAL RAILROAD ADMINISTRATION	710	726	746	739	750
Office of the Administrator	179	187	184	180	181
Reimbursements	—	—	—	—	—
Railroad Safety	512	518	542	539	545
Railroad Research & Development	19	21	20	20	20
Next Generation High-Speed Rail	—	—	—	—	4
FEDERAL TRANSIT ADMINISTRATION	483	492	484	484	504
Administrative Expenses	483	172	261	264	504
Reimbursements	—	320	223	220	—
FEDERAL AVIATION ADMINISTRATION	54,169	53,243	52,783	52,290	51,133
Operations	50,658	49,753	49,319	48,826	47,706
Reimbursements	516	516	390	390	353
Facilities and Equipment	2,240	2,200	2,300	2,300	2,300
Reimbursements	55	55	55	55	55
Research, Eng. & Development	692	711	711	711	711
Reimbursements	6	6	6	6	6
Aviation Insurance Revolving Fund	2	2	2	2	2
U S COAST GUARD	45,751	45,543	45,127	45,187	44,565
Operating Expenses	5,143	5,204	5,101	5,071	4,994
Reimbursements	20	20	20	20	23
Military	38,303	38,051	37,803	37,856	37,325
Reimbursements	127	127	116	116	107
Acquisition, Const., & Improvements	290	279	279	293	299
Military	333	327	359	384	394
Environmental Comp. & Restoration	56	56	62	62	61
Military	7	7	11	11	11
Reserve Training	100	100	100	98	98
Military	570	570	482	482	473

DEPARTMENT OF TRANSPORTATION
FULL TIME EQUIVALENT FY 1993 - 1995

ADMINISTRATION/APPROPRIATION	FY 1993		FY 1994		FY 1995
	Request	Approved	Request	Approved	Request
<u>U S COAST GUARD (cont.)</u>					
Research, Development, Test, & Eval.	93	93	90	90	82
Military	53	53	48	48	42
CG Yard Fund	632	632	632	632	632
Military	24	24	24	24	24
<u>ST LAWRENCE SEAWAY DEVELOPMENT CORP.</u>					
SLSDC Fund	179	177	174	174	168
<u>OFFICE OF THE INSPECTOR GENERAL</u>					
Salaries and Expenses	499	497	489	480	445
<u>RESEARCH AND SPECIAL PROGRAMS ADMIN.</u>					
Research and Special Programs	207	218	214	217	207
Pipeline Safety	66	69	67	72	75
Transportation Systems Center	524	576	576	576	576
Transportation Safety Institute	0	0	0	0	37
<u>OFFICE OF THE SECRETARY</u>					
Salaries and Expenses	653	646	650	634	614
Reimbursements	54	73	65	65	54
Transportation Planning, Res. & Dev.	18	22	22	28	26
Office of Commercial Space Trans.					
-Operations and Research	26	23	26	26	29
Working Capital Fund	341	351	340	340	360
<u>BUREAU OF TRANSPORTATION STATISTICS</u>					
BTS	12	12	12	12	12
TOTAL, Department of Transportation (Excluding Maritime Administration)	108,294	107,330	106,367	105,916	104,071
	=====	=====	=====	=====	=====
Civilian	68,877	68,171	67,524	66,995	65,695
Military	39,417	39,159	38,843	38,921	38,376

Note: Includes reimbursable full time equivalents.

1./ FTE for FHWA (featured in this table and the FHWA Congressional budget justifications) include direct funded, reimbursable, and allocations financed from other agencies all of which are employees of FHWA. Conversely, FTE data presented in the President's Budget Appendix include direct funded, reimbursable, and allocations to other agencies financed by FHWA (the parent agency). Allocations financed by FHWA are not FHWA employees but rather of the agency receiving the allocation of funds (e.g. Bureau of Indian Affairs in the Department of Interior). Currently, OMB considers the FTE as presented in the Appendix as the DOT ceiling for purposes of implementing the 12 percent employment reduction. DOT has taken the position that since we do not have control over employees on another agency's payroll, they should not be part of our ceiling. We are negotiating with OMB to resolve this issue.

SPECIAL PERSONAL SERVICES PAYMENTS

Mr. CARR. Please also update the table on special personal services payments as shown on page 590 of last year's hearing record.
[The information follows:]

SPECIAL PERSONAL SERVICES PAYMENTS

(In thousands of dollars)

	Fiscal year—	
	1993 actual	1994 est. ¹
Office of the Secretary (subsistence specialists):		
Wilder, D	46.1	.....
Carats, E	35.2	.....
Fudge, R	35.2	.....
Koiner, K	35.2	.....
Malheiro, M	30.7	.....
Total	182.4	.....

¹ This program was discontinued in fiscal year 1994 and corresponding reductions were taken in the fiscal year 1994 budget.

SES BONUS AWARDS

Mr. CARR. Please also update the data on SES bonus awards, as shown on pages 591–594 of last year's hearing record, by providing data for fiscal years 1989–1994.

[The information follows:]

SENIOR EXECUTIVE BONUS RECIPIENTS
FISCAL YEAR 1989 TO 1994

AWARD RECIPIENT	1989	1990	1991	1992	1993	1994
Shelton Jackson Deputy Director, Office of Economics			4520		5304	5365
Ronald Kaefer Director, Office of Administrative Services and Property Management	3900			5528	5304	
Rosalind Knapp Deputy General Counsel	15100		4640	5754	13158	
Robert Knisely Special Assistant to the Secretary and Director for Drug Enforcement and Program Compliance (Has left OST)					5523	
Arnold Levine Director, Office of International Transportation and Trade		4410	6820		5304	
Marilyn Marton Director, Office of Acquisition and Grants Management (Has left the Dept.)	3825	4410				
Robert Marx Associate Director, Public Information Division (Deceased)			4520		20900	5365
George McDonald Director, Office of Programs and Evaluation	8425	9520	10060	12061	5304	5365
Carolina Mederos Deputy Assistant Secretary for Safety (Has left the Dept.)	8325					
Patrick Murphy Deputy Assistant Secretary for Policy and Program Development	13150	4550		8682	13158	
James New Director, Office of Safety Program Review				5528		5365
Patricia Perriah Director, Office of Management Planning			4260	5242	5304	

SENIOR EXECUTIVE BONUS RECIPIENTS
FISCAL YEAR 1989 TO 1994

AWARD RECIPIENT	1989	1990	1991	1992	1993	1994
Frank Pentti Deputy Director of Intermodalism						5590
Angelo Picillo Deputy Director, Office of Administrative Services and Property Management	3900		4520			
Samuel Podberesky Assistant General Counsel, Aviation Enforcement and Proceedings	8975	4410		5528		
Jack Renwick Deputy Director, Office of Intelligence and Security				16201	7987	5090
Jon Seymour Assistant Secretary for Administration	13500	16140	14720		22420	5785
Joyce Shelton Director, Office of Financial Management (Has left the Dept)	3900					
Glenda Tate Director, Office of Personnel	3825	6650	6820	6628	5304	7500
E. Kimmel Taylor Director, Office of Administrative Systems Development		4410		6628	5304	
Robert Thurber Deputy Director, Office of Transportation Regulatory Affairs					5304	5365
Donald Trilling Director, Office of Transportation Regulatory Affairs	3900	6650	4520	5528	5304	5365
Paul T. Weiss Deputy Assistant Secretary for Administration				5957	5717	6000
Robert Woods Director, Office of Information Resource Management (Has left the Dept)		4410				
Diana Zeidel Director of Personnel (Has left OST)		15280	10080			

SENIOR EXECUTIVE BONUS RECIPIENTS
FISCAL YEAR 1989 TO 1994

AWARD RECIPIENT	1989	1990	1991	1992	1993	1994
Melissa Allen Deputy Assistant Secretary for Administration	13150	4550	14340	12553	13158	8500
Norman C. Bowles Associate Director, Licensing Programs Division					7290	
Joseph Canny Deputy Assistant Secretary for Policy and Regulatory Affairs	4680	6650	4640	8682	5523	5590
John Coleman Director, Office of Aviation Analysis	9225	4550	4640	5754	5523	
Katherine E. Collins Director, Office of Budget		13300	10060	12061	5304	5385
James Craun Deputy Director, Office of Aviation Analysis			6820	5528	5304	
Nell Eisner Assistant General Counsel, Regulation and Enforcement	8975	4410		5528	20800	6414
William FitzGerald Deputy Assistant Secretary for Budget and Programs (Retired)	13150					
Paul Gaier Assistant General Counsel, Litigation						5590
Paul Gretsch Director, Office of International Aviation	3900	4410		5528		5385
Thomas Herlihy Assistant General Counsel, Legislation	3900	4410	13940	5528	5304	
Linda Higgins Director, Office of Acquisition and Grant Management				5242	5304	
Donald Horn Assistant General Counsel, International Law		4410	6820	5528	5304	
William Hudson Director, Office of Civil Rights (Retired)	6275	6860	10340		5523	

SES BONUS AWARDS BY MODE

Mr. CARR. Please provide a chart showing, by mode, the funding for SES bonus awards for each of the fiscal years 1989–1993.

[The information follows:]

FUNDING FOR SES BONUS AWARDS

	1989	1990	1991	1992	1993
Office of the Secretary	\$153,980	\$134,390	\$147,060	\$158,997	\$269,924
Office of the Inspector General	13,125	11,060	16,120	25,058	33,441
United States Coast Guard	7,800	11,060	13,100	27,740	22,530
Federal Aviation Administration	256,924	285,190	325,800	460,690	481,908
Federal Highway Administration	103,400	121,670	109,140	157,798	157,062
Federal Railroad Administration	14,200	13,510	18,440	33,846	36,138
National Highway Traffic Safety Administration	44,500	51,870	46,260	73,703	76,358
Federal Transit Administration	15,650	17,920	18,440	37,956	34,759
Saint Lawrence Seaway Development Corporation	0	13,930	14,340	10,771	10,337
Maritime Administration	63,625	57,980	49,540	64,716	61,415
Research and Special Programs Administration	25,775	26,250	25,720	41,178	46,485

Mr. CARR. Please provide a similar chart showing estimated data for fiscal years 1994 and 1995, and provide a column showing the current on-board strength of SES employees for each agency.

[The information follows:]

ESTIMATED FUNDING FOR SES BONUS AWARDS—1994–1995

	On-Board as of 4/1/94	1994	1995
Office of the Secretary	45	\$98,979	\$111,408
Office of the Inspector General	9	15,224	19,434
United States Coast Guard	9	12,964	18,905
Federal Aviation Administration	166	253,820	348,686
Federal Highway Administration	54	86,465	115,368
Federal Railroad Administration	12	18,899	25,219
National Highway Traffic Safety Administration	26	44,638	55,718
Federal Transit Administration	10	15,375	21,435
Saint Lawrence Seaway Development Corporation	2	5,090	5,090
Maritime Administration	18	28,640	38,967
Research and Special Programs Administration	13	25,690	27,082
Bureau of Transportation Statistics	1	5,590	5,590

Note.—1994 Bonuses paid December 1993.

Due to budgetary constraints and in an effort to be consistent with public and private sector trends to reduce expenditures, the Secretary elected to reduce See bonus awards beginning in fiscal year 1994.

OST POLITICAL APPOINTEES

Mr. CARR. Please also update the listing of OST political appointees on board, as shown on page 595 of last year's hearing record.

[The information follows:]

**Office of the Secretary Presidential, Senior Executive Service
Noncareer, and Schedule C Appointees
as of April 1, 1994**

Presidential Appointees — Immediate Office of the Secretary

Title	Salary
Secretary	\$148,400
Deputy Secretary	\$133,600
Associate Deputy Secretary	\$108,200
Inspector General	\$115,700

Noncareer SES — Immediate Office of the Secretary

Chief of Staff	\$120,594
Deputy Chief of Staff	\$ 96,830

Schedule C — Immediate Office of the Secretary

Special Assistant to the Secretary	\$ 90,252
White House Liaison	\$ 71,740
Special Assistant to the Secretary	\$ 71,740
Special Assistant	\$ 69,427
Special Assistant for Scheduling and Advance	\$ 71,740
Deputy Scheduler	\$ 51,612
Scheduling Assistant	\$ 29,930
Scheduling Assistant	\$ 28,964
Director of Technology Deployment	\$ 85,624
Special Assistant	\$ 79,839
Director, Executive Secretariat	\$ 85,624

Schedule C — Office of Small and Disadvantaged Business Utilization

Director, Office of Small and Disadvantaged Business Utilization	\$ 90,252
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Noncareer SES — Office of Civil Rights

Director of Civil Rights	\$101,520
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Noncareer SES — Office of Commercial Space Transportation

Director, Office of Commercial Space Transportation	\$101,520
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Noncareer SES — Office of Public Affairs

Assistant to the Secretary and Director of Public Affairs	\$106,106
Deputy Director of Public Affairs	\$ 96,830

Schedule C — Office of Public Affairs

Associate Director for Speech writing and Research	\$ 79,839
Associate Director for Media Relations and Special Projects	\$ 60,990
Special Assistant	\$ 42,003
Staff Assistant	\$ 23,678

Presidential Appointees — Assistant Secretary for Budget and Programs

Assistant Secretary for Budget and Programs	\$115,700
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Noncareer SES — Assistant Secretary for Budget and Programs

Deputy Assistant Secretary for Budget and Programs	\$111,839
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Schedule C — Assistant Secretary for Budget and Programs

Special Assistant	\$ 90,252
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Presidential Appointees — Assistant Secretary for Governmental Affairs

Assistant Secretary for Governmental Affairs	\$115,700
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Noncareer SES — Assistant Secretary for Governmental Affairs

Deputy Assistant Secretary	\$101,520
Director, Office of Congressional Affairs	\$ 96,830

Schedule C — Assistant Secretary for Governmental Affairs

Senior Congressional Liaison Officer	\$ 74,054
Congressional Liaison Officer	\$ 46,202
Congressional Liaison Officer	\$ 35,045
Director, Office of Intergovernmental and Consumer Affairs	\$ 90,252
Intergovernmental Liaison Officer	\$ 51,612
Intergovernmental Relations Officer	\$ 42,003
Intergovernmental Relations Officer	\$ 35,045

Presidential Appointee — General Counsel

General Counsel	\$115,700
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Schedule C — Assistant Secretary for Administration

Special Assistant	\$ 90,252
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Presidential Appointees — Assistant Secretary for Transportation Policy

Assistant Secretary for Transportation Policy	\$115,700
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Schedule C — Assistant Secretary for Transportation Policy

Special Assistant	\$ 71,740
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DOT POLITICAL APPOINTEES

Mr. CARR. Please update the breakdown of DOT political appointees for fiscal year 1994, showing the title and salary of each position, similar to the data shown on pages 595-596 of last year's hearing record.

[The information follows:]

**Department of Transportation Presidential, Noncareer Senior
Executive Service, and Schedule C Appointees
as of April 1, 1994**

Office of the Secretary

Presidential Appointees

Title	Salary
Secretary	\$148,400
Deputy Secretary	\$133,600
Associate Deputy Secretary	\$108,200
Inspector General	\$115,700
General Counsel	\$115,700
Assistant Secretary for Budget and Programs	\$115,700
Assistant Secretary for Governmental Affairs	\$115,700
Assistant Secretary for Transportation Policy	\$115,700

Noncareer SES

Chief of Staff	\$120,594
Deputy Chief of Staff	\$ 96,830
Director of Civil Rights	\$101,520
Director, Office of Commercial Space Transportation	\$101,520
Assistant to the Secretary and Director of Public Affairs	\$106,106
Deputy Director of Public Affairs	\$ 96,830
Deputy Assistant Secretary for Budget and Programs	\$111,839
Deputy Assistant Secretary for Governmental Affairs	\$101,520
Director, Office of Congressional Affairs	\$ 96,830

Schedule C

Special Assistant to the Secretary	\$ 90,252
White House Liaison	\$ 71,740
Special Assistant to the Secretary	\$ 71,740
Special Assistant	\$ 69,427
Special Assistant for Scheduling and Advance	\$ 71,740
Deputy Scheduler	\$ 51,612
Scheduling Assistant	\$ 29,930
Scheduling Assistant	\$ 28,964
Director of Technology Deployment	\$ 85,624

Office of the Secretary
Schedule C (continued)

Special Assistant	\$ 79,839
Director, Executive Secretariat	\$ 85,624
Director, Office of Small and Disadvantaged Business Utilization	\$ 90,252
Associate Director for Speechwriting and Research	\$ 79,839
Associate Director for Media Relations and Special Projects	\$ 60,990
Special Assistant	\$ 42,003
Staff Assistant	\$ 23,678
Special Assistant	\$ 90,252
Senior Congressional Liaison Officer	\$ 74,054
Congressional Liaison Officer	\$ 46,202
Congressional Liaison Officer	\$ 35,045
Director, Office of Intergovernmental and Consumer Affairs	\$ 90,252
Intergovernmental Liaison Officer	\$ 51,612
Intergovernmental Relations Officer	\$ 42,003
Intergovernmental Relations Officer	\$ 35,045
Special Assistant	\$ 90,252
Special Assistant	\$ 71,740

Federal Aviation Administration

Presidential Appointees

Administrator	\$133,600
Deputy Administrator	\$115,700

Noncareer SES

Chief Counsel	\$111,839
Assistant Administrator for Policy, Planning and International Aviation	\$111,839
Assistant Administrator for Airports	\$101,520
Assistant Administrator for Public Affairs	\$ 97,400
Assistant Administrator for Government and Industry Affairs	\$ 96,830

Schedule C

Special Assistant to the Administrator	\$ 71,740
Scheduling Assistant	\$ 37,651
Deputy Assistant Administrator for Government and Industry Affairs	\$ 80,996

Federal Highway Administration**Presidential Appointees**

Administrator	\$133,600
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Noncareer SES

Deputy Administrator	\$120,594
Associate Administrator for Motor Carriers	\$116,529
Chief Counsel	\$111,839
Associate Administrator for Policy	\$106,106
Director, External Communications	\$ 96,830

Schedule C

Special Assistant	\$ 87,938
Special Assistant to the Associate Administrator	\$ 79,839
Special Assistant	\$ 69,427
Staff Assistant	\$ 42,003

Federal Railroad Administration**Presidential Appointees**

Administrator	\$123,100
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Noncareer SES

Deputy Administrator	\$ 96,830
Associate Administrator for Policy	\$ 96,830

Schedule C

Chief of Staff	\$ 49,947
Director, Office of Public Affairs	\$ 76,368

National Highway Traffic Safety Administration***Noncareer SES***

Deputy Administrator	\$120,594
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Schedule C

Chief, Consumer Information Division	\$ 69,427
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Federal Transit Administration***Presidential Appointees***

Administrator	\$123,100
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Noncareer SES

Deputy Administrator	\$101,520
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Director of Communications and External Affairs	\$101,520
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Schedule C

Regional Administrator	\$ 88,721
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Saint Lawrence Seaway Development Corporation***Presidential Appointees***

Administrator	\$115,700
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Maritime Administration***Presidential Appointees***

Administrator	\$123,100
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Maritime Administration***Noncareer SES***

Deputy Administrator	\$101,520
Deputy Administrator (Inland Waterways and Great Lakes)	\$101,520
Director of External Affairs	\$ 96,830

Schedule C

Special Assistant to the Administrator	\$ 80,996
Special Assistant	\$ 59,022

Research and Special Programs Administration***Noncareer SES***

Deputy Administrator	\$111,839
Associate Administrator for Research Technology and Analysis	\$106,106

DOT POLITICAL APPOINTEES

Mr. CARR. Please also update the listing by DOT operating administration of DOT political appointees, as shown on pages 597-608, by updating 1993 and adding 1994.

[The information follows:]

OFFICE OF THE SECRETARY

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	6	22	28
1981	6	14	44
1982	6	15	50
1983	4	22	46
1984	7	21	52
1985	7	19	49
1986	8	18	41
1987	7	16	35
1988	7	20	37
1989	7	11	39
1990	6	16	29
1991	6	12	31
1992	7	9	29
1993	5	7	19
1994 (4/1/94)	7	9	26

OFFICE OF THE INSPECTOR GENERAL

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	0	1
1981	1	0	1
1982	1	0	1
1983	1	0	1
1984	1	0	1
1985	1	0	1
1986	0	0	1
1987	1	0	1
1988	1	0	0
1989	1	0	0
1990	0	0	0
1991	1	0	0
1992	1	0	0
1993	1	0	0
1994 (4/1/94)	1	0	0

UNITED STATES COAST GUARD

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	0	0	0
1981	0	0	0
1982	0	0	0
1983	0	0	0
1984	0	0	0
1985	0	0	0
1986	0	0	0
1987	0	0	0
1988	0	0	0
1989	0	0	0
1990	0	0	0
1991	0	0	0
1992	0	0	0
1993	0	0	0
1994 (4/1/94)	0	0	0

FEDERAL AVIATION ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	2	5	6
1981	2	4	3
1982	2	4	4
1983	2	5	7
1984	1	5	7
1985	2	5	9
1986	1	6	6
1987	1	5	4
1988	2	4	7
1989	1	2	5
1990	2	5	6
1991	2	5	6
1992	2	5	3
1993	1	1	0
1994 (4/1/94)	2	5	3

FEDERAL HIGHWAY ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	2	4
1981	1	2	4
1982	1	4	5
1983	1	4	7
1984	1	3	5
1985	1	4	6
1986	1	5	4
1987	1	5	5
1988	1	4	4
1989	1	3	3
1990	1	5	4
1991	1	5	5
1992	1	5	4
1993	1	3	1
1994 (4/1/94)	1	5	4

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	2	4
1981	1	2	4
1982	1	4	5
1983	0	4	7
1984	1	3	5
1985	1	4	6
1986	1	5	4
1987	1	5	5
1988	1	4	4
1989	0	3	3
1990	1	5	4
1991	1	5	5
1992	1	5	4
1993	0	3	1
1994 (4/1/94)	0	1	1

FEDERAL RAILROAD ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	2	4
1981	1	2	3
1982	1	3	3
1983	0	4	4
1984	1	4	5
1985	1	3	4
1986	1	3	4
1987	1	2	2
1988	1	1	3
1989	1	2	2
1990	1	2	3
1991	1	4	2
1992	1	3	1
1993	1	1	0
1994 (4/1/94)	1	2	2

FEDERAL TRANSIT ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	3	3
1981	1	4	4
1982	1	4	8
1983	0	4	5
1984	1	3	7
1985	1	4	6
1986	1	3	8
1987	0	3	6
1988	1	4	5
1989	0	4	3
1990	1	4	2
1991	1	5	2
1992	1	5	0
1993	1	2	0
1994 (4/1/94)	1	2	1

SAINT LAWRENCE SEAWAY DEVELOPMENT CORP

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	1	0	2
1981	1	0	2
1982	1	0	2
1983	0	0	2
1984	1	0	4
1985	1	1	5
1986	1	1	4
1987	1	1	4
1988	1	1	3
1989	1	0	3
1990	1	0	1
1991	1	0	2
1992	1	0	2
1993	1	0	0
1994 (4/1/94)	1	0	0

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	0	1	3
1981	0	0	1
1982	0	0	1
1983	0	0	2
1984	0	1	1
1985	0	2	1
1986	0	2	1
1987	0	2	1
1988	0	3	1
1989	0	2	2
1990	0	2	1
1991	0	3	1
1992	0	1	2
1993	0	0	0
1994 (4/1/94)	0	2	0

MARITIME ADMINISTRATION

Fiscal Year	Presidential	Non-Career SES	Schedule C
1980	NA	NA	NA
1981	0	1	1
1982	1	3	2
1983	1	3	4
1984	1	3	3
1985	0	2	3
1986	1	3	3
1987	1	4	4
1988	1	4	4
1989	0	3	2
1990	1	4	0
1991	1	4	2
1992	1	3	2
1993	1	2	1
1994 (4/1/94)	1	3	2

BUREAU OF TRANSPORTATION STATISTICS

Fiscal Year	Presidential	Non-Career SES	Schedule C
1993	0	0	0
1994 (4/1/94)	0	0	0

POLITICAL/CAREER EMPLOYEE RATIOS

Mr. CARR. Please also update the data on political/career employee ratios, as shown on pages 610-613 of last year's hearing record, by providing data for the last three fiscal years.
[The information follows:]

COMPARISON
PRESIDENTIAL, NON-CAREER SES
AND SCHEDULE C APPOINTEES
MAJOR OST OFFICE - APRIL 1, 1994

Office	Presidential	Noncareer SES	Schedule C	Total	Career Employees*	
					Number	Percent
Secretarial Offices	3	4	12	19	109	85.2%
Public Affairs	0	2	4	6	18	75.0%
Budget & Programs	1	1	1	3	85	96.6%
General Counsel	1	0	0	1	91	98.9%
Governmental Affairs	1	2	7	10	25	71.4%
Administration	0	0	1	1	478	99.8%
Aviation & International Affairs	0	0	0	0	49	100.0%
Transportation Policy	1	0	1	2	125	98.4%
TOTAL	7	9	26	42	980	95.9%

*Data for career employees is as of 3/31/94

COMPARISON
PRESIDENTIAL, NON-CAREER SES
AND SCHEDULE C APPOINTEES
MAJOR OST OFFICE - END FY 93

Office	Presidential	Noncareer SES	Schedule C	Total	Career Employees	
					Number	Percent
Secretarial Offices	3	4	8	15	107	87.7%
Public Affairs	0	2	4	6	18	75.0%
Budget & Programs	1	0	1	2	26	92.9%
General Counsel	1	0	0	1	91	98.9%
Governmental Affairs	0	1	6	7	25	78.1%
Administration	0	0	0	0	535	100.0%
Policy & International Affairs	0	0	0	0	174	100.0%
TOTAL	5	7	19	31	976	96.9%

COMPARISON
PRESIDENTIAL, NON-CAREER SES
AND SCHEDULE C APPOINTEES
MAJOR OST OFFICE - END FY 92

Office	Presidential	Noncareer SES	Schedule C	Total	Career Employees	
					Number	Percent
Secretarial Offices	3	5	13	21	110	84.0%
Public Affairs	0	2	5	7	17	70.8%
Budget & Programs	1	0	1	2	31	93.9%
General Counsel	1	0	0	1	97	99.0%
Governmental Affairs	1	1	7	9	28	75.7%
Administration	0	0	0	0	541	100.0%
Policy & International Affairs	1	1	3	5	180	97.3%
TOTAL	7	9	29	45	1004	95.7%

COMPARISON
PRESIDENTIAL, NON-CAREER SES
AND SCHEDULE C APPOINTEES
MAJOR OST OFFICE - END FY 91

Office	Presidential	Noncareer SES	Schedule C	Total	Percent	Career Employees	
						Number	Percent
Secretarial Offices	2	6	15	23	19.3%	96	80.7%
Public Affairs	1	1	5	7	29.2%	17	70.8%
Budget & Programs	1	1	1	3	8.8%	31	91.2%
General Counsel	0	1	0	1	1.1%	90	98.9%
Governmental Affairs	1	2	7	10	25.0%	30	75.0%
Administration	0	0	0	0	0.0%	504	100.0%
Policy & International Affairs	1	1	3	5	2.7%	183	97.3%
TOTAL	6	12	31	49	4.9%	951	95.1%

COMPARISON
PRESIDENTIAL, NON-CAREER SES
AND SCHEDULE C APPOINTEES
MAJOR OST OFFICE - END FY 90

Office	Noncareer			Career Employees	
	Presidential	SES	Schedule C	Number	Percent
Secretarial Offices	2	11	13	77	74.8%
Public Affairs	0	1	1	21	91.3%
Budget & Programs	1	0	1	33	94.3%
General Counsel	1	1	1	97	97.0%
Governmental Affairs	1	2	9	30	71.4%
Administration	0	0	1	481	99.8%
Policy & International Affairs	1	1	3	197	97.5%
TOTAL	6	16	29	936	94.8%

OST CLERICAL/PROFESSIONAL WORKERS

Mr. CARR. Please update the OST clerical/professional worker table, found on page 614 of last year's hearing record, by providing data for fiscal years 1993 through 1995.

[The information follows:]

SALARIES AND EXPENSES APPROPRIATION AUTHORIZED POSITIONS-CLERICAL AND PROFESSIONAL WORKERS

	Fiscal year—					
	1993 actual		1994 enacted		1995 request	
	Clerical	Professional	Clerical	Professional	Clerical	Professional
General counsel	28	72	27	71	27	70
Transportation policy	14	25	14	25	13	23
Aviation & international affairs	22	103	22	103	20	99
Budget and programs	8	29	7	30	12	43
Governmental affairs	8	32	7	30	7	30
Administration	34	169	33	157	27	131
Public affairs	7	18	7	16	7	16
Secretarial offices	33	64	32	65	32	69

OST AVERAGE GRADES

Mr. CARR. Please also update the average grade table for OST offices, as shown on page 614 of last year's hearing record, by providing data for fiscal years 1990 through 1994.

[The information follows:]

AVERAGE GRADES

Office	Fiscal year—				Mar 31 fiscal year 94	Proj. end fiscal year 1994
	1990	1991	1992	1993		
Secretarial offices	11.5	11.5	11.4	11.8	11.7	11.7
Public affairs	10.7	11.2	11.2	10.9	10.9	10.9
Budget and programs	12.5	12.6	12.5	12.1	11.3	11.3
General counsel	11.7	11.8	11.7	11.9	12.1	12.1
Governmental affairs	11.2	10.8	11.0	11.8	11.3	11.3
Administration	10.4	10.5	10.6	10.9	11.0	11.0
Policy and international affairs	12.2	12.5	12.4	12.4	12.6	12.6

Note.—Unless otherwise specified data is as of the fiscal year.

OST "OTHER SERVICES"

Mr. CARR. Please update the "other services" comparative data found on pages 615–617 of last year's hearing record by providing data for fiscal years 1993–1995.

[The information follows:]

**SALARIES & EXPENSES
COMPARISON OF OTHER SERVICES
FISCAL YEARS 1993-1995**

(in thousands of dollars)

	1993 Actual	1994 Estimate	1995 Request
General Counsel:			
Litigation, Enforcement, Public Counsel, and Contract Services	9	14	-
White House Travel	-	150	-
Sub-total	<u>9</u>	<u>164</u>	<u>0</u>
Transportation Policy:			
Support Services	6	7	7
Aviation & International Affairs:			
Support Services	3	2	2
Computer Support	5	5	4
Translation Services	6	6	6
Interpreter Services	4	4	4
Technical Report	6	6	10
Transcription	5	5	2
Sub-total	<u>35</u>	<u>35</u>	<u>35</u>
Budget and Programs:			
Support Services	8		
Financial Management Evaluations			145
Payments to the Working Capital Fund	-	-	849
Reception and Representation	23	60	60
Sub-total	<u>31</u>	<u>60</u>	<u>1,054</u>
Governmental Affairs:			
Support Services	<u>6</u>	<u>1</u>	<u>1</u>

(in thousands of dollars)

	1993 Actual	1994 Estimate	1995 Request
Administration:			
Payments to the WCF	8,973	9,982	8,594
Payroll/PMIS	202	163	163
Training and Executive Development	288	137	78
Alcohol/Employee Assistance	-	22	34
Workers Compensation Program	-	8	-
OIRM Security Cert. Review	-	22	22
OIRM Security Software	341	125	125
Telecommunications	-	45	-
Automation Program 1/	520	1,271	1,271
IRM Strategic Planning	94	-	-
OST Imaging Program	450	-	-
OIRM Oversight and Review	199	-	-
Maintenance & Repair	51	60	63
USCG Clinic	66	84	84
Building Alterations	173	62	64
Environment/Energy/Safety	124	175	100
Miscellaneous Contracts	227	265	264
National Performance Review	29	-	-
Personal/Real Property Systems	200	20	20
Reporting Services	9	22	22
TSARC Technical Support	-	50	25
Procurement Professionalism	-	55	-
Security Investigations	51	80	80
FM Evaluations	150	146	-
Sub-total	<u>12,147</u>	<u>12,794</u>	<u>11,009</u>
1/ The Automation Program excludes additional obligations for equipment (\$1,012K) and supplies(\$175K)			
Systems Development	Sub-total	<u>3,550</u>	<u>1,016</u>
			<u>-</u>

(in thousands of dollars)

	1993 Actual	1994 Estimate	1995 Request
Public Affairs			
Special Events (TV/Radio News)	7	5	22
Distribution of Materials	4	32	25
Sub-total	<u>11</u>	<u>37</u>	<u>47</u>
Secretarial Offices:			
Support Services	162	178	126
Stenographic (Certified Court Reporters)	9	20	18
National Information Clearinghouse/Public Relations/MBRC		144	220
Canon Maintenance Agreement/MBRC		-	-
Conference Support		10	-
Historically Black Colleges and Universities/Hispanic Assoc, of colleges and Universities/MBRC		1,250	1,320
Bank Review/MBRC		24	24
Outreach	212	1,260	1,220
Special Program Initiatives	212	1,140	1,178
Sub-total	<u>595</u>	<u>4,027</u>	<u>4,106</u>
Total	<u>16,384</u>	<u>18,134</u>	<u>16,252</u>

RECEPTION AND REPRESENTATION FUNDS

Mr. CARR. Please update the table on the obligation of reception and representation funds as shown on page 629 of last year's hearing record.

[The information follows:]

RECEPTION AND REPRESENTATION OBLIGATIONS

Mode	Obligations			
	Fiscal year 1992 actual	Fiscal year 1993 actual	Fiscal year 1994—	
			To date ¹	Projected
Federal Highway Administration	1,093	741	428	1,820
National Highway Traffic Safety Administration	100	490	54	500
Federal Railroad Administration	179	610	238	760
Federal Transit Administration	531	0	0	200
Federal Aviation Administration	6,200	6,900	4,087	11,250
United States Coast Guard	3,149	3,400	536	4,670
Maritime Administration	3,890	2,695	115	2,280
Research and Special Programs Administration	433	147	0	270
Bureau of Transportation Statistics			0	470
Office of the Secretary	22,790	7,944	10,234	37,780
Total Department of Transportation	38,365	22,927	15,692	60,000

¹ Actual as of March 31.

RECEPTION AND REPRESENTATION EXPENSES

Mr. CARR. According to last year's hearing data on page 629 and the fiscal year 1995 budget (p. 20), actual obligations for reception and representation expenses have been as follows: Fiscal year 1991, \$38,271; fiscal year 1992, \$38,365; fiscal year 1993, \$22,000. That is an average annual rate of \$32,878. However, the Department requested and received \$60,000 for fiscal year 1994 and is requesting \$60,000 again in fiscal year 1995.

Given the actual experience to date, why should we approve the higher level of \$60,000?

[The information follows:]

The request of \$60,000 for reception and representation (R&R) activities is the same as the fiscal year 1994 level. This amount is necessary because the closing of the Secretary's mess resulted in increased costs related to the use of outside caterers/vendors. When the mess was used to support such events only food costs were charged to R&R because salary and overhead costs were covered elsewhere in DOT's budget.

CONTRACT APPEALS BOARD

Mr. CARR. Please update the tables showing historical workload of the contract appeals board, as provided on pages 631-633 of last year's hearing record.

[The information follows:]

TABLE 1

**DEPARTMENT OF TRANSPORTATION
BOARD OF CONTRACT APPEALS**

Table 1. - Summary of Current Appeals
Cumulative Activity - 4/16/93 - 4/13/94

A P P E A L S

<u>Originating In</u>	<u>On Docket 4/16/93</u>	<u>Received</u>	<u>Closed</u>	<u>On Docket 4/13/94</u>
FAA	29	18	32	15
USCG	59	49	46	62
FHWA	3	4	2	5
FRA	0	0	0	0
NHTSA	0	0	0	0
SLSDC	0 ¹	0	0	0
RSPA	1	2	1	2
MARAD	48	9	48	9
FTA	0	0	0	0
OST	0	0	0	0
Non-DOT				
DOJ*	29	30	31	28
ITC**	0	0	0	0
NSF***	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTALS	169	112	160	121

* Department of Justice

** International Trade Commission

*** National Science Foundation

¹ A recalculation of our statistics reveals that an error was made in carrying the one case for SLSDC. The correction of the error reduces the number of cases on docket as of 4/16/93 to 169.

TABLE 2

DEPARTMENT OF TRANSPORTATION
BOARD OF CONTRACT APPEALS

Historical Review of Appeals Received and Closed
By Fiscal Year

<u>FY</u>	<u>APPEALS RECEIVED</u>	<u>APPEALS CLOSED</u>	<u>ON DOCKET END OF FY</u>
1969	41	58 ¹	
1970	52	68	
1971	55	47	
1972	56	47	
1973	48	72	
1974	58	34	
1975	95	32	
1976	79	84	
1977	100	75	
1978	84	83	
1979	82	97	
1980	62	88	123
1981	59	70	157 ²
1982	91	85	163
1983	139	152	150
1984	142	149	143
1985	120	147	116
1986	118	88	146
1987	125	118	153
1988	97	120	130
1989	110	74	166
1990	245	166	245
1991	107	139	214
1992	85	139	160
1993	130	135	165
1994	49 ³	90 ⁴	

¹ Statistics on appeals received and closed for FY 1967, the year the Board was established, and FY 1968, are unknown.

² The "On Docket" column commencing with FY 1981 (10/1/80) was adjusted to increase the existing on docket number by 45 appeals which were not received during the prior year but constituted a corrective adjustment in earlier docketing of 45 appeals which should have been docketed separately, since each claim was the subject of a separate Contracting Officer final decision. (Annual Report to the Secretary dated November 9, 1981.)

³ Total appeals received in FY 1994 to 4/13/94.

⁴ Total appeals closed in FY 1994 to 4/13/94.

TABLE 3

**DEPARTMENT OF TRANSPORTATION
BOARD OF CONTRACT APPEALS**

Table 3. - Summary of Dollar Values of Current Appeals (and Government Claims) Pending as of 4/13/94

No. Of Appeals	<u>\$10,000 and Under</u>	<u>Over \$10,000 to \$50,000</u>	<u>Over \$50,000 to \$500,000</u>	<u>Over \$500,000</u>	<u>No Amount Yet Stated</u>
	28	20	41	10	22

OFFICE OF DRUG ENFORCEMENT AND PROGRAM COMPLIANCE

Mr. CARR. Please update the financial and staff resource data on the Office of Drug Enforcement and program compliance shown on page 634 of last year's hearing record.

[The information follows:]

For fiscal year 1994, the funding level for the operation of the Office of Drug Enforcement and Program Compliance in the Immediate Office of the Secretary is \$863,800. The funding for fiscal year 1994 is being accomplished through reimbursable agreements from six of the operating administrations within the Department of Transportation. There are 7 FTEs funded in Fiscal Year 1994. For fiscal year 1995 the funding level for the Office is estimated at \$862,000. The Office will be staffed by 7 FTEs and will again be funded through reimbursable agreements allocated similarly among the same six administrations. Listed below is the distribution of funding from each operating administration:

	Fiscal year—	
	1994	1995
Federal Highway Administration	\$514,900	\$513,700
Federal Aviation Administration	97,600	97,500
Federal Transit Administration	73,400	73,100
U.S. Coast Guard	61,300	61,300
Research & Special Programs Admin.	61,300	61,300
Federal Railroad Administration	55,300	55,100

On September 27, 1993 by Secretarial decision, the Anti-Drug Information Center (ADIC) was discontinued. This decision was based on budget constraints and the unavailability of funds. The Office of Drug Enforcement and Program Compliance was provided with two temporary FTEs for Fiscal Year 1994 to accomplish the ADIC sunset.

OST HEADQUARTERS OFFICE SPACE

Mr. CARR. Please update the data on OST headquarters office space, as shown on pages 634–635 of last year's hearing record.

[The information follows:]

OST HEADQUARTERS SPACE

Fiscal year	Square feet ¹	Average cost per sq. ft.	Office space cost	Sq. ft. employee ²
1990	202,000	\$26.23	\$5,298,460	111
1991	200,780	27.51	5,523,458	112
1992	221,024	28.07	5,983,120	128
1993	225,680	28.75	6,488,300	135
1994	³ 238,051	29.65	7,058,212	136
1995	236,040	29.05	6,856,962	⁴ 161

¹ This excludes supplemental space, i.e., office space used for libraries, mail rooms, copy centers, etc., which are exempt under GSA FPMR D-76.

² The utilization rate prior to fiscal year 1992 was based on a workstation count. For fiscal year 1992 thru 1995, the computation is based on a personnel count. This is in accordance with a change in the GSA FPMR D-76 formula for determining utilization rates.

³ The increase in space for fiscal year 1994 is a result of the conversion of light industrial space (former printing plant) to office space to house ADP support and training activities.

⁴ The fiscal year 1995 utilization rate is higher than in prior years because of projected OST workforce reductions. These reductions will involve several individual offices; therefore, we are not yet able to identify contiguous blocks of space that can be released.

OFFICE SPACE UTILIZATION

Mr. CARR. Please update the table on office space utilization by mode, as shown on page 635 of last year's hearing record.

[The information follows:]

DEPARTMENT OF TRANSPORTATION OFFICE SPACE UTILIZATION

Administration	Fiscal year 1994 of- fice space (square feet in thousands) ¹	Supplemental space (square feet in thousands) ²	Office space utiliza- tion rate (square feet per person) ³
USCG	1,344	240	110
OIG	86	9	142
FAA	1,992	230	138
FTA	105	24	123
FHWA	692	125	145
NHTSA	141	24	143
MARAD	134	26	152
RSPA	72	17	103
FRA	138	20	145
OST	327	89	136
SLSDC	5	1	164
BTS	3	1	121
Totals	5,039	806	130

¹ Department of Transportation headquarters and field space.

² Office type space used for libraries, mail rooms, copy center, conference rooms, reception areas, central files and other non-people support exempted for space utilization purposes under FPMR, Temporary Regulation D-76.

³ On August 2, 1991, GSA FPMR D-76 replaced the requirement contained in FPMR D-73 that calculated office utilization rates based on work stations. Utilization rates are now based on the number of personnel.

These figures represent the Department's space utilization as of September 1993. DOT is below GSA's FPMR D-76 utilization rate goal of 135 square feet per person, with a Departmentwide utilization rate of 130 square feet per person.

REIMBURSABLES

Mr. CARR. Please update the table on OST salaries and expenses reimbursables, as shown on page 641 of last year's hearing record, by providing data for fiscal years 1994 and 1995.

[The information follows:]

SALARIES AND EXPENSES, REIMBURSABLES
(In thousands of dollars)

Office and Program	FY 1994 estimated	FY 1995 estimated
Policy and International Affairs:		
Regional Transport Development Transport Sector Technical Assistance		
Grant Project (Agency for International Development).....	40	180
Technical Management, Training, and Financial Assistance in the Field of Transportation (Saudi Arabia).....	1,900	2,509
Subtotal	1,940	2,689
General Counsel:		
Honore Attorneys.....	208	378
Inspector General Attorneys.....	98	188
Subtotal	306	566
Secretarial Offices:		
Office of Drug Enforcement and Program Compliance.....	884	862
Contract Appeals Hearings.....	60	80
Alternative Dispute Resolution (Office of Civil Rights).....	98	0
Office of Intermodalism.....	1,060	1899
Science Advisor.....	98 ^{1/}	0
Subtotal	2,180	2,821
Administration:		
Internal Alcohol Testing.....	0	2,420
Internal Drug Testing.....	2,396	0 ^{2/}
Training Programs.....	452	0 ^{2/}
Transit Fare Subsidy.....	2,088	2,450
Consolidated Personnel Management Information System.....	811	0 ^{2/}
Extended Local Area Network.....	854	0 ^{2/}
Motor Mail.....	1,469	0 ^{2/}
Workforce Diversity.....	1,463	0 ^{2/}
Administrative Law Judges.....	943	558
Sign Language Interpreting Services.....	107	0 ^{2/}
Subtotal	10,373	5,428
Public Affairs:		
Newsletter.....	275	234
Government Affairs:		
ISTEA Regional Conference.....	22	0
Total-S&E	14,976	11,516

^{1/} Funded by FHWA and FAA (\$49,000 each).

^{2/} Activities funded through Working Capital Fund in FY 1995.

ADVISORY COMMITTEES

Mr. CARR. Please update the listing and cost data for DOT advisory committees shown on pages 643-648 of last year's hearing record by providing data for fiscal years 1993 through 1995. Please place an asterisk or similar notation next to those committees eliminated pursuant to the Executive order issued in February 1993.

[The information follows:]

DEPARTMENT OF TRANSPORTATION
Advisory Committees
(in dollars)

Admin.	Committee Name	1993 Actual	1994 3/ Estimate	1995 Estimate
FHWA	Intelligent Vehicle/Highway System (IVHS) 1/.....	90,000	90,000	210,000
	National Motor Carrier.....	31,100	40,000	68,625
	Scenic Byways 1/.....	22,927	---	---
	National Recreational Trails 1/.....	20,374	28,000	28,500
	Infrastructure Investment 2/.....	102,714	---	---
	Subtotal.....	267,115	158,000	307,125
NHTSA	Motor Vehicle Safety Research.....	300	300	300
	National Driver Register 1/.....	9,200	---	---
	Task Force on Motor Vehicle Titling 1/.....	33,100	71,500	---
	Subtotal.....	42,600	71,800	300
FRA	Northeast Corridor 1/.....	100	100	100
	Subtotal.....	100	100	100
FTA	Technology Development 1/.....	8,560	15,950	16,000
	Charter Services 1/.....	1,500	---	---
	Subtotal.....	10,060	15,950	16,000
CG	Chemical Transportation.....	737	700	700
	Coast Guard Academy.....	5,000	---	---
	Houston/Galveston Navigation Safety 1/.....	1,700	1,700	1,700
	Lower Mississippi Waterway Safety 1/.....	1,700	1,700	1,700
	National Boating Safety 1/.....	27,900	29,300	29,900
	National Offshore Safety.....	400	500	500
	New York Harbor Traffic Management.....	1,200	1,200	1,200
	Navigation Safety 1/.....	29,000	29,000	29,500
	Towing Safety 1/.....	1,100	1,900	1,900
	Commercial Fishing Industry 1/.....	25,000	36,000	37,000
	Merchant Marine Personnel.....	12,000	36,400	36,800
	New England Commercial Fishing Enforcement Working Group.....	---	---	9,000
	Subtotal.....	105,737	138,400	149,900
FAA	Air Traffic Procedures.....	800	800	800
	Radio Technical Commission for Aeronautics.....	100,000	300,000	225,000
	National Aviation Security.....	3,000	4,000	4,000
	Aviation Rulemaking.....	25,000	50,000	50,000
	Pilot Shortage.....	82,845	---	---
	Civil Tiltrotor Development 1/.....	---	1,300	15,000
	Subtotal.....	211,645	356,100	294,800

DEPARTMENT OF TRANSPORTATION
Advisory Committees
(in dollars)

Admin.	Committee Name	1993 Actual	1994 3/ Estimate	1995 Estimate
SLSDC	Saint Lawrence Seaway Development Corporation 1_/.....	200	5,450	5,700
	Subtotal.....	200	5,450	5,700
RSPA	Technical Hazardous Liquid Pipeline Safety 1_/.....	5,364	15,000	15,000
	Technical Pipeline Safety Standards 1_/.....	5,604	15,000	15,000
	Subtotal.....	10,968	30,000	30,000
OST	Aircraft Accessibility.....	8,215	---	---
	Commercial Space Transportation.....	2,209	2,400	2,500
	Minority Business Resource Center 1_/.....	---	3,700	3,700
	Subtotal.....	10,424	6,100	6,200
	Contingency for Additional Requirements 4_/.....	---	18,100	48,875
	Grand Total.....	658,849	800,000	850,000

1_/ Required by statute.

2_/ Statutory earmark

3_/ Estimated obligations for FY 1994 are \$800,000. This is \$700,000 below enacted obligation limitation of \$1,500,000.

4_/ Contingency estimate allows for funding of committees not yet chartered.

For example:

- Bureau of Transportation Statistics Advisory Committee, authorized by ISTEA.
- New England Commercial Fishing Enforcement Working Group, authorized by P.L. 102-567.

DEPARTMENT OF TRANSPORTATION
Advisory Committees

Admin.	Committee Name	1994		1994		1995		1995	
		Fed-Mem	Non-Fed	Non-Mem	Fed-Mem	Non-Fed	Non-Mem	Fed-Mem	Non-Mem
FHWA	Intelligent Vehicle/Highway System (IVHS) 1/J.....	---	424	---	---	424	---	---	---
	National Motor Carrier.....	---	25	---	---	25	---	---	---
	Scenic Byways 1/J.....	---	---	---	---	---	---	---	---
	National Recreational Trails 1/J.....	---	12	---	---	12	---	---	---
	Infrastructure Investment 2/J.....	---	---	---	---	---	---	---	---
	Subtotal.....	---	461	---	---	461	---	---	---
NHTSA	Motor Vehicle Safety Research.....	2	13	---	2	13	---	---	---
	National Driver Register 1/J.....	---	---	---	---	---	---	---	---
	Task Force on Motor Vehicle Tiling 1/J.....	5	22	---	---	---	---	---	---
	Subtotal.....	7	35	---	2	13	---	---	---
FRA	Northeast Corridor 1/J.....	1	16	1	1	16	1	---	---
	Subtotal.....	1	16	1	1	16	1	---	---
FTA	Technology Development 1/J.....	---	35	3	---	35	3	---	---
	Charter Services 1/J.....	---	---	---	---	---	---	---	---
	Subtotal.....	---	35	3	---	35	3	---	---
CG	Chemical Transportation.....	---	25	---	---	25	---	---	---
	Coast Guard Academy.....	---	---	---	---	---	---	---	---
	Houston/Galveston Navigation Safety 1/J.....	---	16	---	---	16	---	---	---
	Lower Mississippi Waterway Safety 1/J.....	---	24	---	---	24	---	---	---
	National Boating Safety 1/J.....	---	21	---	---	21	---	---	---
	National Offshore Safety.....	---	13	---	---	13	---	---	---
	New York Harbor Traffic Management.....	1	17	---	---	16	---	---	---
	Navigation Safety 1/J.....	---	21	---	---	21	---	---	---
	Towing Safety 1/J.....	---	16	---	---	16	---	---	---
	Commercial Fishing Industry 1/J.....	---	17	---	---	17	---	---	---
	Merchant Marine Personnel.....	---	19	---	---	19	---	---	---
	New England Commercial Fishing Enforcement Working Group.....	---	---	---	---	14	---	---	---
	Subtotal.....	1	191	---	---	206	---	---	---
FAA	Air Traffic Procedures.....	9	22	---	4	22	---	---	---
	Radio Technical Commission for Aeronautics.....	9	135	---	9	135	---	---	---
	National Aviation Security.....	11	21	---	9	14	---	---	---
	Aviation Rulemaking.....	---	61	---	---	64	---	---	---
	Pilot Shortage.....	---	---	---	---	---	---	---	---
	Civil Tiltrotor Development 1/J.....	5	19	---	6	23	---	---	---
	Subtotal.....	34	256	---	26	256	---	---	---

DEPARTMENT OF TRANSPORTATION
Advisory Committees

Admin.	Committee Name	1994	1994	1994	1995	1995	1995
		Fed-Mem	Non-Fed	Non-Mem	Fed-Mem	Non-Fed	Non-Mem
SLSDC	Saint Lawrence Seaway Development Corporation 1/.....	---	5	---	---	5	---
	Subtotal.....	---	5	---	---	5	---
RSPA	Technical Hazardous Liquid Pipeline Safety 1/.....	2	13	---	2	13	---
	Technical Pipeline Safety Standards 1/.....	1	14	---	1	14	---
	Subtotal.....	3	27	---	3	27	---
OST	Aircraft Accessibility.....	---	---	---	---	---	---
	Commercial Space Transportation.....	---	25	---	---	25	---
	Minority Business Resource Center 1/.....	---	5	---	---	5	---
	Subtotal.....	---	30	---	---	30	---
	Grand Total.....	46	1,058	4	54	1,051	4

1/ Required by statute.

2/ Statutory earmark

DEPARTMENT OF TRANSPORTATION
Advisory Committees
(in dollars)

Admin.	Committee Name	1994 Pers/Tvl	1994 Other	1995 Pers/Tvl	1995 Other
FHWA	Intelligent Vehicle/Highway System (IVHS) 1/.....	60,000	30,000	140,000	70,000
	National Motor Carrier.....	36,000	4,000	62,625	6,000
	Scenic Byways 1/.....	---	---	---	---
	National Recreational Trails 1/.....	26,000	2,000	26,000	2,500
	Infrastructure Investment 2/.....	---	---	---	---
	Subtotal.....	122,000	36,000	228,625	78,500
NHTSA	Motor Vehicle Safety Research.....	---	300	---	300
	National Driver Register 1/.....	---	---	---	---
	Task Force on Motor Vehicle Tilting 1/.....	45,000	26,500	---	---
	Subtotal.....	45,000	26,800	---	300
FRA	Northeast Corridor 1/.....	---	100	---	100
	Subtotal.....	---	100	---	100
FTA	Technology Development 1/.....	12,200	3,750	12,200	3,800
	Charter Services 1/.....	---	---	---	---
	Subtotal.....	12,200	3,750	12,200	3,800

DEPARTMENT OF TRANSPORTATION
Advisory Committees
(in dollars)

CG	Chemical Transportation.....	---	700	---	700
	Coast Guard Academy.....	---	---	---	---
	Houston/Galveston Navigation Safety 1/.....	---	1,700	---	1,700
	Lower Mississippi Waterway Safety 1/.....	---	1,700	---	1,700
	National Boating Safety 1/.....	26,400	900	29,000	900
	National Offshore Safety.....	---	500	---	500
	New York Harbor Traffic Management.....	---	1,200	---	1,200
	Navigation Safety 1/.....	28,000	1,000	28,500	1,000
	Towing Safety 1/.....	---	1,900	---	1,900
	Commercial Fishing Industry 1/.....	34,000	2,000	35,000	2,000
	Merchant Marine Personnel.....	35,400	1,000	34,600	2,200
	New England Commercial Fishing Enforcement Working Group.....	---	---	8,500	500
	Subtotal.....	125,800	12,600	135,600	14,300
FAA	Air Traffic Procedures.....	---	800	---	800
	Radio Technical Commission for Aeronautics.....	---	300,000	---	225,000
	National Aviation Security.....	---	4,000	---	4,000
	Aviation Rulemaking.....	---	50,000	---	50,000
	Pilot Shortage.....	---	---	---	---
	Civil Tiltrotor Development 1/.....	---	1,300	---	15,000
	Subtotal.....	---	356,100	---	294,800

DEPARTMENT OF TRANSPORTATION
Advisory Committees
(in dollars)

Admin.	Committee Name	1994 Pers/Tvl	1994 Other	1995 Pers/Tvl	1995 Other
SLSDC	Saint Lawrence Seaway Development Corporation 1_/....	5,250	200	5,450	250
	Subtotal.....	5,250	200	5,450	250
RSPA	Technical Hazardous Liquid Pipeline Safety 1_/.....	13,300	1,700	13,300	1,700
	Technical Pipeline Safety Standards 1_/.....	13,300	1,700	13,300	1,700
	Subtotal.....	26,600	3,400	26,600	3,400
OST	Aircraft Accessibility.....	---	---	---	---
	Commercial Space Transportation.....	---	2,400	---	2,500
	Minority Business Resource Center 1_/.....	3,700	---	3,700	---
	Subtotal.....	3,700	2,400	3,700	2,500
	Grand Total.....	340,550	441,350	412,175	397,950

1_/ Required by statute.

2_/ Statutory earmark

PERSONNEL SAVINGS

Mr. CARR. Please update the chart showing FTE savings realized during fiscal year 1993 pursuant to the Executive order of February 10, 1993, and compare those FTE and associated dollars with the estimates shown on page 671 of last year's hearing record. [The information follows:]

DEPARTMENT OF TRANSPORTATION FISCAL YEAR 1993 FTE SAVINGS (ESTIMATED/ACTUAL)
[In thousands of dollars]

Operating administration	Estimated		Actual ¹		Difference	
	FTE	Amount	FTE	Amount	FTE	Amount
FHWA	40	2,248	13	835	(27)	(1,413)
NHTSA	0	0	23	1,449	23	1,449
FRA	7	140	27	1,655	20	1,515
FTA	5	305	5	356	0	51
FAA	241	16,287	1,064	22,134	823	5,847
CG			(738)		(738)	
CG	65	2,782	98	4,312	33	1,530
MARAD	11	663	21	1,251	10	588
SLSDC	2	91	10	499	8	408
OIG	5	285	7	420	2	135
RSPA	0	0	0	0	0	0
OST	11	565	32	2,000	21	1,435
Total	387	23,365	561	34,909	174	11,543

¹ Total savings assumes approximately 738FTE were unfunded.

Note.—Due to variable personnel costs, savings are estimated comparing FY 1993 actual budget data to the FY 1993 enacted level, for an average FTE rate within each Operating Administration.

Mr. CARR. In that Executive order, the President set a goal of 10 percent of those reductions coming from senior management positions (SES, GS-15, and GS-14). What percentage of the fiscal year 1993 staffing reductions came from those grade levels?

[The information follows:]

DEPARTMENT OF TRANSPORTATION FISCAL YEAR 1993 FTE SAVINGS FROM SENIOR MANAGEMENT POSITIONS

Operating administration	Fiscal year 1993 FTE savings	Position reductions				FTE equivalent	Savings (percent)
		SES	GM 15	GM 14	Total		
FHWA	13	2	2	5	9	2.3	17
NHTSA	23	1	4	8	13	3.3	14
FRA	27	2	0	0	2	0.5	2
FTA	5	0	0	4	4	1.0	20
FAA	326	5	94	200	299	74.8	23
CG	98	1	3	8	12	3.0	3
MARAD	21	2	2	3	7	1.8	8
SLSDC	10			1	1	0.3	3
OIG	7	0	0	4	4	1.0	14
RSPA	0	0	0	0	0		
OST	32	2	6	5	13	3.3	10
Total	561	15	111	238	364		

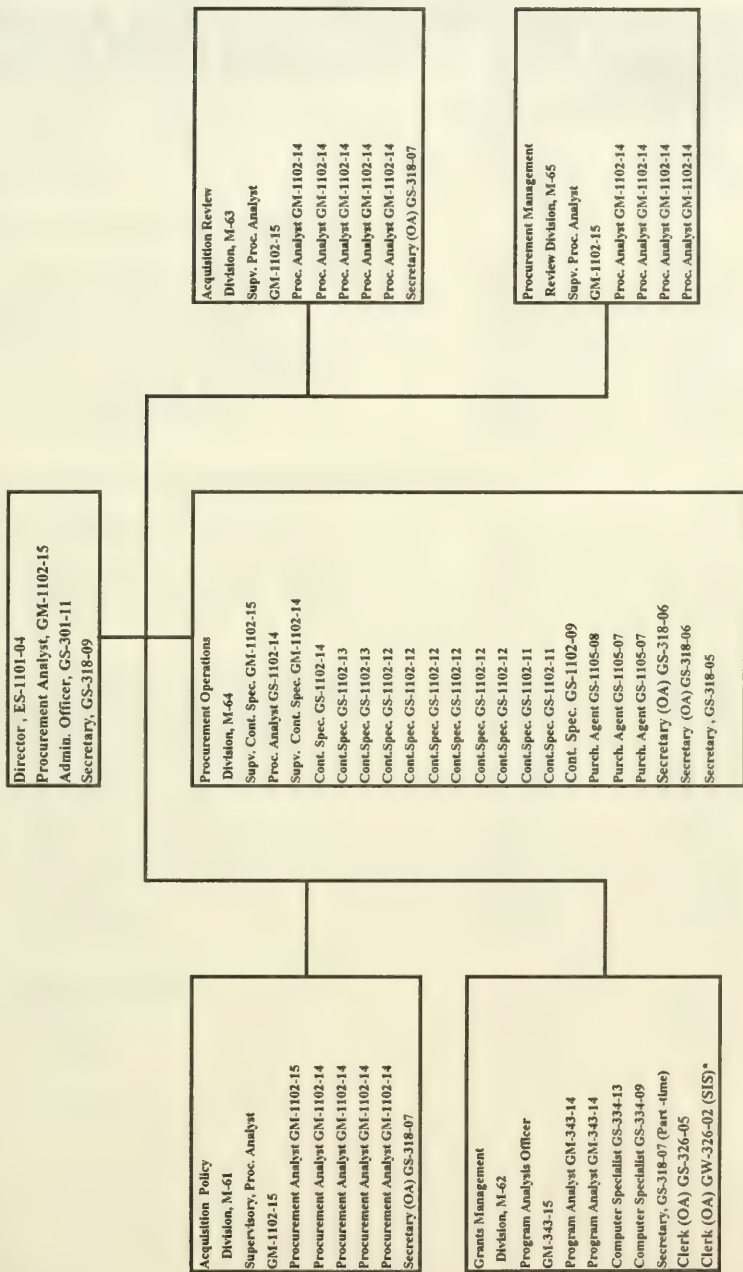
Adjusted for ongoing savings throughout the fiscal year, assumes each position equals .25 FTE.

ACQUISITION AND GRANT MANAGEMENT OFFICE

Mr. CARR. Please update the listing of the current staff of the Office of Acquisition and Grant Management shown on page 680 of last year's hearing record.

[The information follows:]

This organization chart represents a proposed reorganization currently in process, and includes both Salaries and Expenses and Working Capital Fund positions. This reorganization will reduce the number of supervisors as proposed by the National Performance Review.



This reorganization will be complete by April 30th.

GOVERNMENTAL AFFAIRS POSITIONS

Mr. CARR. Please update the listing of positions in the Office of Governmental Affairs, as shown on pages 673-674 of last year's hearing record.

[The information follows:]

OFFICE OF GOVERNMENTAL AFFAIRS

<u>Immediate Office of the Assistant Secretary</u>	<u>Grade</u>	<u>Salary</u>	<u>1/</u>
Assistant Secretary	EX-04	\$ 115,700	
Deputy Assistant Secretary	ES-02	101,520	
Staff Assistant	GS-12	42,003	
Administrative Officer	GM-13	63,268	
Secretary (Steno)	GS-11	44,393	
Staff Assistant	GS-09	34,755	

Office of Congressional Affairs

Director	ES-01	\$ 92,900	
Senior Congressional Liaison Officer	GS-15	74,054	
Congressional Liaison Officer	GM-13	54,941	
Congressional Liaison Officer	GM-13	54,941	
Congressional Liaison Officer	GS-12	46,202	
Congressional Liaison Officer	GS-11	35,045	
Congressional Liaison Specialist	GS-12	46,202	
Congressional Liaison Specialist	GS-12	44,802	
Office Assistant (Typing)	GS-07	26,834	
Secretary (Typing)	GS-06	24,529	

Office of Intergovernmental and Consumer AffairsIntergovernmental Affairs

Director	GM-15	\$ 86,589	
Intergovernmental Liaison Officer	GM-13	51,612	
Intergovernmental Relations Officer	GS-12	42,003	
Intergovernmental Relations Officer	GS-11	35,045	
Staff Assistant	GS-11	36,214	

Consumer Affairs

Assistant Director for Consumer Affairs	GM-15	\$ 90,252	
Supervisory Transportation Industry	GM-14	76,733	
Transportation Industry Analyst	GM-13	64,928	
Community Relations Analyst	GM-13	61,613	
Transportation Industry Analyst	GS-13	55,773	
Consumer Affairs Analyst	GS-11	45,561	
Consumer Affairs Analyst	GS-11	39,719	
Consumer Affairs Analyst	GS-11	37,382	
Consumer Affairs Specialist	GS-09	37,651	
Consumer Affairs Analyst	GS-09	31,860	
Staff Assistant	GS-09	36,686	
Secretary (Typing)	GS-07	24,467	
Student Aide-Clerk	GW-03	15,221	

Investigations Division

Transportation Industry Analyst	GM-13	64,928	
Investigator	GS-12	51,801	
Secretary (Typing)	GS-07	30,779	

1/ As of March 31, 1994

NEW POSITIONS FOR CFO ACT IMPLEMENTATION

Mr. CARR. Please provide a list of any positions requested in any office of the Office of the Secretary of Transportation for implementation of the Chief Financial Officers Act in fiscal year 1995. Include the position title, grade level, and salary.

[The information follows:]

We have not requested any additional positions for implementation of the Chief Financial Officers Act in fiscal year 1995.

TRANSIT SUBSIDY BENEFIT PROGRAM

Mr. CARR. Please provide end-of-year data for fiscal year 1993, by mode, showing the number of employees and dollars budgeted for DOT's Transit Subsidy Benefit Program.

[The information follows:]

The number of participants and dollars spent from October 1, 1992 until September 30, 1993 are shown below:

Organization	Participants		Total dollars spent
	HC	Field	
FAA	1,920	105	\$969,569
FHWA	515	398	374,446
FRA	123	95	79,174
FTA	177	114	105,762
MARAD	245	34	137,866
NHTSA	236	16	137,952
OIG	107	115	68,409
OST	462	0	244,182
RSPA	120	164	121,212
SLSDC	8	0	3,642
USCG	762	1,355	551,064
BTS	4	0	1,420
Totals	4,679	2,396	2,794,698

Mr. CARR. Please update the data on participation in the Transit Subsidy Benefit Program shown on page 707 of last year's hearing record by providing data for fiscal years 1994 and 1995.

[The information follows:]

The estimated cost of the program shown below is based on actual March 1994 data. Actual charges are verified by each mode, in writing, every month. We anticipate a level participation and no increase in benefits.

Organization	Fiscal year—	
	1994	1995
FAA	\$1,192,474	\$1,192,474
FHWA	350,260	350,260
FRA	81,914	81,914
FTA	117,340	117,340
MARAD	166,170	166,170
NHTSA	149,444	149,444
OIG	83,490	83,490
OST	286,328	286,328
RSPA	89,626	89,626
SLSDC	3,960	3,960
USCG	572,606	572,606
BTS	3,240	3,240
Totals	3,096,852	3,096,852

Mr. CARR. Please list, by mode, the estimated number of employees to be supported by this program in each of fiscal years 1994 and 1995.

[The information follows:]

The estimated participation for both headquarters and field employees in the program is shown below. These estimates are based on actual data through March 1994. We anticipate a level participation and no increase in benefits.

Organization	Fiscal year—	
	1994	1995
FAA	2,143	2,143
FHWA	947	947
FRA	197	197
FTA	297	297
MARAD	291	291
NHTSA	255	255
OIG	229	229
OST	458	458
RSPA	299	299
SLSDC	7	7
USCG	2,245	2,245
BTS	5	5
Totals	7,373	7,373

RANDOM DRUG TESTING RATE

Mr. CARR. As a result of an IG audit, the Department recently lowered its Federal employee random drug testing rate from 50 to 25 percent, which was estimated to produce an annual cost savings of \$1.2 million. What modes achieved these savings, and how are they reflected in the fiscal year 1995 budget justifications?

[The information follows:]

The reduction in the random drug testing rate from 50 to 25 percent was implemented beginning with testing conducted in April 1992. With the partial year implementation in fiscal year 1992, the actual cost savings in the drug testing collection and laboratory contracts recognized was \$388,641. For fiscal year 1993, the first full year at the 25 percent testing rate, the actual cost savings was \$794,777. The two years combined result in a cost savings of \$1,183,418. Because costs are prorated to all modes, all modes achieved their prorated share of these savings. The fiscal year 1995 budget Working Capital Fund justifications reflect amounts needed for testing at the 25 percent rate.

Mr. CARR. Could the 50 percent rate for random drug testing be similarly lowered for aviation, interstate motor carrier, rail, pipeline, maritime, and transit workers and still maintain the deterrent effect?

[The information follows:]

The Department issued an NPRM on February 15, 1994, proposing an adjustable random drug testing rate for the regulated transportation industries. The proposal would base the required random rate on the positive test rate reported for each industry (i.e. aviation, railroad, transit, etc.) As proposed, the random rate would decrease to 25 percent if the industry random positive rate is less than 1 percent for two consecutive years. If the positive rate increases in any given year, the random testing rate would increase back to 50 percent. This approach attempts to allow for a lower testing rate if drug use deterrence is maintained as evidenced by a low (<1 percent) positive rate. The comment period on the NPRM closes April 16, 1994; after review of the comments we will proceed to a final rule by the end of 1994.

FIELD OFFICE CLOSINGS

Mr. CARR. What actions, if any, has OST taken in response to the National Performance Review recommendations regarding the closing or consolidation of field offices? Similarly, are there initiatives underway to consolidate common administrative functions within DOT?

[The information follows:]

OST has asked each operating administration to review its field operations. These reviews are in process, and we expect reports within the year. OST is also considering an internal review of the feasibility of consolidating common administrative functions such as personnel and procurement in headquarters.

CIVILIAN PERSONNEL BENEFITS INCREASES

Mr. CARR. On page 53 of the object class analysis of the fiscal year 1995 budget, DOT is budgeting for a 5 percent increase in civilian personnel benefits in fiscal year 1995 compared to 1.1 percent government-wide. Why is this?

[The information follows:]

The majority of the civilian personnel benefit increase can be attributed to the Federal Aviation Administration's Operations appropriation. In fiscal year 1995, the FAA is proposing to contract out certain air traffic control towers. The displacement of staff will require PCS moves, the funding for which is reflected in object class 12.1. Adjusting to exclude PCS costs in fiscal year 1994 and fiscal year 1995, the increase is 3.5 percent. The remainder of the increase for FAA is due to the higher cost of FERS retirement benefits and actual FERS thrift costs.

OTHER SERVICES INCREASES

Mr. CARR. Similarly, on page 66 your "other services" budget rises in fiscal year 1995 from \$3.145 billion to \$3.269 billion, whereas these costs are declining government-wide. Why is it necessary for your other services costs to be going up?

[The information follows:]

The increase in the "other services" object class for the Department of Transportation is driven by increases in the U.S. Coast Guard's Acquisition, Construction and Improvements appropriation and the Maritime Administration's Ready Reserve Force appropriation.

The increase in the AC&I appropriation of \$71 million in "other services" is primarily attributable to the AC&I multi-mission assets such as, the Coastal Buoy Tender (WLM), Traffic Alert and Collision Avoidance System (TCAS), and the Vessel Traffic Services (VTS) 2000. The contract awards for these projects are shown in the "other services" object class.

The increase for the Ready Reserve Force is the result of a \$79 million increase in operations and maintenance funding to support 12 additional ships which will be maintained in reduced operating status (ROS) beginning in FY 1995. This affects "other services" because of the contract awards in this area.

SUPPLIES AND MATERIALS INCREASES

Mr. CARR. Your supplies and materials are budgeted for an 8 percent increase (from \$628 million to \$678 million) in fiscal year 1995, while government-wide budgets for these costs go down 3.3 percent. Why?

[The information follows:]

The increase in supplies and materials budgeted for fiscal year 1995 is attributed to an increase in the U.S. Coast Guard's Operating Expense appropriation and Acquisition, Construction and Improvements appropriation. The Operating Expense appropriation increase (\$17 million) is due to built-in changes for non-pay cola, aircraft technical documentation and training for HC-130 and HH-60J aircraft, and

supplies and materials for construction of new shore facilities. The increase in the AC&I appropriation (\$33 million) is primarily attributable to the AC&I major multi-mission assets such as, the Seagoing Buoy Tender (WLB), 210-foot Medium Endurance Cutter (WMEC), and the Shore projects.

DOJ LETTER ON CIVIL RIGHTS CONSOLIDATION

Mr. CARR. Please provide a copy of the February 2, 1994, letter to DOT from the Acting Assistant Attorney General, Civil Rights Division, U.S. Department of Justice regarding their suggestions on a possible reorganization of DOT's civil rights activities.

[The information follows:]



U.S. Department of Justice

Civil Rights Division

Office of the Assistant Attorney General

Washington, D.C. 20535

FEB 2 1994

Mr. Antonio J. Califa
Director
Departmental Office of Civil Rights
Office of the Secretary
Department of Transportation
400 7th Street, S.W.
Room 10215
Washington, D.C. 20590

Dear Mr. Califa:

This letter follows up on the meeting held on December 20, 1993, between managers of the Coordination and Review Section and your Deputy Director, Mr. Burt Taylor. We appreciate your interest in forging a renewed cooperative relationship between our departments in the enforcement of civil rights laws covered by Executive Order 12250 and the Americans with Disabilities Act of 1990 (ADA). We hope that our observations and suggestions will be helpful as DOT undertakes a reorganization of its civil rights program.

As you clearly are aware, DOT has many major new responsibilities under the ADA. It is one of the eight title II "designated agencies" responsible for investigating complaints of discrimination on the basis of disability by State and local governments. Preliminary indications are that DOT is first or second among these agencies in the receipt of title II complaints.

Further, proposed revisions of the ADA Accessibility Guidelines (ADAAG) addressing public rights of way, streets, sidewalks, and curbscuts, subject areas for which DOT is the lead agency, will generate substantial additional demands for policy interpretation, technical assistance, and enforcement. Finally, additional Administration civil rights initiatives, such as in the developing field of environmental justice, envision DOT as having a major implementing role. Even if DOT's previous federally assisted civil rights enforcement structure were sufficiently organized, staffed, trained, and effective, these new mandates would require a reassessment of your department's response capabilities.

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While we fully understand that reorganization decisions are DOT's to make, we would like to reiterate some of the points we raised in our meeting in response to your request for comments on DOT's civil rights reorganization:

1. When "internal" civil rights enforcement (Federal equal employment opportunity (EEO)) and "external" civil rights enforcement (addressing Federal financial assistance programs and the ADA) are combined organizationally, EEO priorities and activities tend to overwhelm external enforcement. This is especially true when civil rights enforcement is highly decentralized. For example, internal and external enforcement divisions may successfully coexist in a departmental civil rights office or in the civil rights office of a modal agency. It is quite a different story, however, when a district or regional office civil rights specialist in an agency of a department is assigned both EEO and external civil rights duties.

2. Regardless of organizational location, civil rights specialists should be assigned fulltime to external enforcement, especially in agencies with major and varied civil rights programs and responsibilities. It is less desirable to assign individual civil rights specialists both EEO and external enforcement duties. It generally is not desirable to assign civil rights responsibilities to program staff as "collateral duties".

3. Particularly in lead agencies such as DOT, there needs to be a "critical mass" of expertise and staff resources devoted to external civil rights enforcement, regardless of organizational location. Sheer volume of workload aside, effective enforcement requires staff with a variety of skills and substantive specialization.

4. Civil rights staff should report to civil rights, not program office, supervisors. Programmatic and civil rights responsibilities differ. The independence of the civil rights enforcement function is needed when civil rights interests conflict with operational programmatic interests.

5. A strong department-level civil rights office is needed even if operational civil rights enforcement functions are assigned to the modal administrations. To succeed, this office needs the clear backing of the Secretary coupled with sufficient formal authority and resources to exercise a variety of important functions, including: policy and procedures development; training; technical assistance; information systems management; quality control; and monitoring and evaluation.

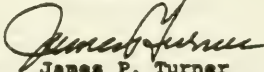
Particularly if enforcement functions are assigned to the modal administrations, it is essential to establish detailed departmental enforcement policies and procedures, and to train

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staff of the various agencies so that they are consistently and effectively implemented. It also is essential to have in place effective department-level performance assessment and reporting systems.

I hope that this information will be of use to you. Please contact me if our office can be of any further assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "James P. Turner". The signature is fluid and cursive, with the first name "James" being more prominent.

James P. Turner
Acting Assistant Attorney General
Civil Rights Division

HEALTH CARE COSTS

Mr. CARR. According to a February 15, 1994, report in *The Washington Post*, employer health care costs registered their smallest increase in five years in 1993, an 8 percent annual inflation rate. How does this compare to the rate of inflation for health care costs budgeted by DOT agencies for fiscal year 1995?

[The information follows:]

Because employer health care costs in a budget year are unknown, the Department applies a known average benefit rate to base pay rates during the formulation process. For fiscal year 1994 the aggregate benefit is 15 percent for the OST Salaries and Expenses appropriation. This rate covers all benefits including FEGLI, Medicare, retirement and FICA taxes. To the extent employer health care costs increase, they would be absorbed during budget year execution.

OST TRAVEL INCREASES

Mr. CARR. Overall, your fiscal year 1995 request represents a 16 percent increase in travel for personnel in the Office of the Secretary (from \$544,000 to \$633,000). When personnel reductions are taken into consideration, the increase is 20 percent per staff year (from \$860 to \$1,030). Given the extreme budgetary constraints facing the Department and the need to streamline administrative activities, why is such a large increase in travel needed?

[The information follows:]

The budget proposes an increase of 9% in travel. The increases are targeted to selected areas and reflect either the need for more field oversight or actual travel expenditures from prior years. The following table provides the detail.

SALARIES & EXPENSES	TRAVEL \$		INCR	
	FY 1994	FY 1994		
GENERAL COUNSEL	60	60		
TRANSPORTATION POLICY	24	24		
AVIATION & INTERNATIONAL AFFAIRS	85	85		
BUDGET & PROGRAM	25	25		
FINANCIAL MANAGEMENT	[3]	7	4	1/
GOVERNMENTAL AFFAIRS	18	18		
ADMINISTRATION	72	83	11	2/
FINANCIAL MANAGEMENT	3	[7]	[4]	1/
PUBLIC AFFAIRS	13	24	11	3/
SECR OFCS	282	307		
S-1 (SECR)	135	135		
S-2 (DEP SEC)	40	40		
S-10 (EXEC SEC)	1	4	3	4/
S-20 (APP BD)	7	7		
S-30 (CIV RGTS)	21	30	9	5/
S-40 (OSDBU)	0			
S-40 (MBRC)	38	38		
S-60 (INTELL/SEC)	40	53	13	6/
TOTAL	864	940	51	

Explanation of Increases:

- 1/ Required to conduct on-site visits to field accounting offices to explain new audited financial statement with established accounting standards in support of this office's role as the CFO.
- 2/ Travel to perform on-site information resource management and to conduct procurement program review oversight.
- 3/ Accurately reflects past year travel obligation, e.g., FY 1991- \$18K, FY 1992 - \$20K, and in FY 1993 - \$28K.
- 4/ Anticipated travel in FY 1995 when the Secretary's Chief of Staff is unable to travel.
- 5/ To increase the field presence of the Director and Policy staff, and to conduct compliance reviews and/or audits regarding civil rights policies and procedures.
- 6/ Reflects actual travel expenditures in FY 1993.

SALARIES AND EXPENSES STAFF REDUCTION

Mr. CARR. Please provide a listing, by office, of each position being eliminated or added in the fiscal year 1995 budget request. The list should add to the net reduction of 20 full-time positions (i.e., from 646 to 626. For each position, show the title, grade level, and salary.

[The information follows:]

Staff reductions reflect efforts to streamline operations, consistent with the National Performance Review's recommendation to reduce the civilian work force. Specific positions were not identified but anticipated to be achieved through attrition, in part through the fiscal year 1994 buyout, targeted at the SES, and GM 15-GM 13 grade levels. Reductions of funds associated with the proposed staff reductions are included in the following chart:

Office	Positions			(\$000)
	Fiscal year—		Difference + (-)	
	1994	1995		
General Counsel	98	97	(1)	(95)
Transportation Policy	39	36	(3)	(177)
Aviation/International Affairs	125	119	(6)	(450)
Budget and Programs	37	35	(2)	(187)
Financial Management	21	20	(1)	¹ (39)
Government Affairs	37	37	0	.....
Administration	169	158	(11)	(758)
Public Affairs	23	23	0	.....
Secretary	13	14	1	.....
Deputy Secretary	8	8	0	.....
Executive Secretariat	18	18	0	.....
Appeals Board	6	6	0	.....
Civil Rights	23	28	5	.....
OSDBU	15	15	0	.....
Intelligence & Security	14	12	(2)	.....
Total	646	626	(20)	² (1,706)

¹ Reduction assumes less than one full-time equivalent.

² Associated funding is not included in base, funds for these positions in fiscal year 1994 will likely be transferred.

UNOBLIGATED BALANCES

Mr. CARR. On page 8, you are showing an unobligated balance of \$5,150,000 in salaries and expenses appropriations at the end of fiscal year 1993. What accounted for this balance?

[The information follows:]

For the Office of Small and Disadvantaged Business Utilization's MBRC Program, an unobligated balance of \$4,433,679 was derived from recoveries of prior year obligations. The funds will support the MBRC program in fiscal year 1994, including \$300,000 from the unobligated balances transferred to the MBRC Short Term Loan Program.

For Systems Development, a carryover balance of \$1,016,008 is derived from unobligated balances in contractual services. This balance is expected to be fully obligated in fiscal year 1994.

REDUCTIONS IN OFFSETTING COLLECTIONS

Mr. CARR. Why are you estimating a drop in offsetting collections from \$18,860,000 in fiscal year 1994 (and \$18,938,000 in fiscal year 1993) to only \$11,516,000 in fiscal year 1995?

[The information follows:]

Offsetting collections reflect the reimbursement activity in OST. The major reduction in offsetting collections reflect seven programs currently funded as reimbursable that are proposed to be funded through the Working Capital Fund in fiscal year

1995. These programs include: the Federal Executive Institute; the Consolidated Personnel Management Information System (CPMIS); the Drug Testing and Education and Awareness Program; the Work Force Diversity Program; the Seminar for Prospective Managers; Sign Language Interpreting Services; and Centralized Distribution Mail Metering.

STAFFING SHIFTS TO THE WORKING CAPITAL FUND

Mr. CARR. On page 11, your justifications state that 15 reimbursable FTEs are being shifted out of the salaries and expenses appropriations to the working capital fund. Please explain this change in detail and discuss why the change is necessary.

[The information follows:]

The programs which the 15 reimbursable FTE support are the Department's internal Drug Testing, Education and Awareness Program and the Work Force Diversity Program. Reimbursable agreements were used to support the start-up of these programs. These programs are now ongoing activities and it is appropriate that they be funded through the Working Capital Fund (WCF). Since these programs have been previously financed through reimbursable agreements with the Operating Administrations (OAs), these transfers do not represent an increase in FTE or funding requirements for the Department.

These programs meet the criteria for inclusion in the WCF in that each is an administrative service, each is a common shared resource by more than one OA, and each is centrally managed for a more economical efficient operation.

The Drug Testing and Education and Awareness Program was prompted by the Executive Order 12564 signed by President Reagan on September 15, 1986. In FY 1995, the transfer of 9 FTE from the OST S&E Appropriation Reimbursable Program to WCF is requested in support of this program. The program, which is administered out of the OST Office of Personnel is responsible for: formulating procedures and resource requirements needed to implement the requirements of E.O. 12564 and the Omnibus Transportation Employee Testing Act of 1991 on a DOT-wide basis; performing the day to day functions needed for the operation of the drug testing program such as preparing and distributing test lists, coordinating collection schedules, screening test results received, reconciling and correcting collection or test problems, coordinating with modal representatives when action is required because of a positive test result; and developing contract requirements for collections, testing and quality control functions, and serving as contact point and the Contracting Officers Technical Representative for those contracts. The Office of Personnel also administers a drug awareness and education program which includes developing training requirements and plans, evaluating training effectiveness, and modifying training programs, as appropriate.

In support of the Work Force Diversity program, transfer of 6 FTE from the OST S&E Appropriation Reimbursable Program to the WCF is requested. This program addresses recruitment, retention and development of the Department's highly qualified diverse work force by providing diversity training, managerial awareness courses, disability awareness training, the Diversity Work and Family Resource Center and other special emphasis programs.

OST ON-BOARD STAFF

Mr. CARR. Please provide a list, by office, showing the current on-board staffing level, fiscal year 1995 budgeted FTP, and fiscal year 1995 budgeted FTE.

[The information follows:]

OST STAFFING

Salaries & expenses	Fiscal year 1994-FTE employment as of 3/19/94			Fiscal year 1995	
	Full-time	Other	Total	FTP	FTE
General Counsel	86	8	94	97	98
Transportation Policy	35	.....	35	36	32
Aviation/International Affairs	113	3	116	119	107
Budget and Programs	33	1	34	55	53

OST STAFFING—Continued

Salaries & expenses	Fiscal year 1994-FTE employment as of 3/19/94			Fiscal year 1995	
	Full-time	Other	Total	FTP	FTE
Governmental Affairs	34	1	35	37	37
Administration	182	9	191	158	166
Public Affairs	22	1	23	23	23
Secretary	12		12	14	14
Deputy Secretary	8		8	8	8
Executive Secretariat	16		16	18	18
Appeals Board	6		6	6	6
Civil Rights	20		20	28	26
OSDBU	13		13	15	14
Intelligence & Security	12		12	12	12
Reimbursable	42	8	50	37	54
Ops & Res (OSCT)	23		23	33	29
TPRD (Policy)	24	3	27	14	18
Systems Development	10		10	8	8
Working Capital Fund	321	6	327	352	360
Total	1,012	40	1,052	1,070	1,083

FEHB COSTS

Mr. CARR. Please provide a discussion of enrollment, cost inflation, and other assumptions behind fiscal year 1995 budgeted OST costs for the Federal Employees Health Benefits Program.

[The information follows:]

The budget estimate for fiscal year 1995 benefits is projected based on the average percentage of all benefits to the total base pay for each Office rather than on each category in the benefit package. Benefits include the government's contribution to Federal Health Benefits Program as well as Civil Service Retirement System, Federal Employees Retirement System, Government Employees Group Life Insurance, Federal Insurance Contributions Act and Medicare.

The Office of the Secretary has 891 employees enrolled in 47 different health plans. During the last open season there were 6 new enrollments and 90 changes in enrollments. This is higher than that experienced in the 1992 open season when there were 5 new enrollments, 77 changes in enrollments. At the end of the 1992 enrollment there were 895 employees enrolled in 50 different health plans.

Each year, the Office of Personnel Management reviews the benefits and premiums of the plans in the FEHB program and negotiates adjustments in benefits and premiums, that go into effect the following January. For the plans that went into effect in January 1994, FEHB premiums rose an average of 3.5 percent. With the ongoing cost containment provisions in fee-for-service plans and built-in cost controls in prepaid plans, we expect continued positive results in our cooperative effort with employees to control premium increases.

Mr. CARR. How do those assumptions compare to the most recent actual experience from the 1993 health benefits open season for OST employees?

[The information follows:]

These assumptions compare favorably with current data. The fiscal year 1995 estimate for the OST salaries and expenses appropriation is based on the assumption that total benefits costs will be 15 percent of total personnel compensation.

COMPENSABLE WORK-DAYS

Mr. CARR. In computing standard personnel costs, how many work days are assumed per year, and does that vary by agency, rank/grade, or by civilian/military?

[The information follows:]

Compensable work-days vary from year to year. For example, 260 work-days are budgeted in FY 1995. In both fiscal years 1993 and 1994, there were 261 work-days. In fiscal year 1996, there are 261 compensable workdays. When the number of work-days changes (+ or -) from one year to the next, a corresponding adjustment is requested in the budget. The number of workdays for fulltime employees in any given year does not vary by agency or grade. However, in the case of U.S. Coast Guard military personnel, personnel costs are not affected by the number of work-days since they receive 24 payments (twice monthly) during the course of the year regardless of the number of work-days in the year.

BUDGET FORMULATION GUIDANCE

Mr. CARR. To what extent does the Department or OMB provide specific guidance to the modes on what specific personnel factors to use in preparation of the budget?

[The information follows:]

Instructions issued annually by OMB (Circular A-11) contain specific guidance on the basis for formulating estimates for personnel compensation. Generally speaking, personnel estimates should be based on compensation scales in effect at the time of submission of these estimates, adjusted for pay raises included in the Mid-Session Review revised economic assumptions. For example, the fiscal year 1995 budget estimates assume a 1.6 percent government-wide pay raise effective January 1996. No funds are included for an additional locality-based pay increase.

Employer contributions are set by the Office of Personnel Management. Current rates are described below. Estimates for employer contributions will vary from mode to mode due to the composition of the workforce. For example, for employees under the Civil Service Retirement System (CSRS), the contribution is 7 percent (except for law enforcement officers and firefighters, the contribution is 7.5 percent). For employees under the Federal Employees Retirement System (FERS), the contribution is 11.4 percent (except for law enforcement officers and firefighters, the contribution is 24.3 percent and for air traffic controllers 21.9 percent). For all employees covered by Medicare, the contribution is 1.45 percent. For employees covered by Old Age Survivors and Disabilities Insurance, the contribution is 6.2 percent up to a maximum of \$60,600 in salary per calendar year. For FERS employees enrolled in the Thrift Savings Plan, the contribution varies from 1 percent to 4 percent depending on the percentage of basic salary contributed by the employee. There is no government contribution for CSRS employees enrolled in the Thrift Savings Plan. For health benefits, the government contribution is 60 percent of the average high option premium of six of the largest health benefits plans in the program, but not more than 75 percent of the total premium for any plan. For life insurance, the government contribution is one-third of the cost of Basic coverage—no contributions are made toward optional or family coverage.

There follows the full text of the OMB instruction regarding preparation of estimates for personnel compensation and benefits. Generally speaking, no additional instructions are issued by DOT.

13.3. Basis for personnel estimates.

(b) **Personnel compensation.**—Estimates for personnel compensation and benefits should be consistent with OMB-approved FTE levels and be prepared on the following bases:

- (1) *Pay scales.*— Estimates will be based on compensation scales in effect at the time of submission of the estimates, adjusted for CY through BY+4 pay raises included in the Mid-Session Review revised economic assumptions. Estimates will reflect any pay raises enacted for the current or budget year in addition to, or in lieu of, pay raises based on the Mid-Session Review assumptions, if the legal rates are known at the time of the budget submission.

Mid-Session Review budget and outyear pay assumptions will apply to the statutory pay systems (General Schedule, Foreign Service, and Veterans Health Services and Research Administration), the Executive Schedule, the Senior Executive Service, and wage board employees. Estimates will need to be adjusted when final pay assumptions for the budget are released. Agencies should be prepared to provide supporting detail on calculating pay costs, including separate identification of the pre-pay raise wage base reflected in the submission.

Estimates should not reflect locality-based pay increases. Additional OMB guidance regarding locality-based pay raises will be issued at a later date. Pending subsequent guidance, the pay

scales used in preparing estimates should reflect continuation of the 8% interim geographic adjustment in New York, Los Angeles, and San Francisco for CY through BY+4.

Any increases in average compensation for the budget year, other than those due to changes in pay scales, must be explicitly justified.

- (2) *Hourly rates.*—Compensation for all employees (as defined in 5 U.S.C. 5504(b)) will be based on hourly rates of compensation determined by dividing the annual rate of basic pay by 2,087 rather than 2,080, in accordance with section 15203(a) of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99-272).
- (3) *Within-grade increases.*—Estimates will provide increases to cover within-grade salary advancements (including merit increases for GM-13, 14, and 15 supervisors and management officials) only on a basis consistent with recent experience. Only net within-grade increases (i.e., increases remaining after turnover, downgrades, and other grade and step reducing events are taken into account) can be considered for funding. The cost of such advancements should be offset by savings due to greater productivity and efficiency.
- (4) *Vacancies.*—Estimates related to vacancies expected to be filled in the budget year will be based on the entrance salary for the vacancies involved.
- (5) *Savings in personnel compensation.*—Full consideration will be given to savings in personnel compensation due to personnel reductions, delay in filling vacant positions, leave without pay, lag in recruitment for new positions, filling vacancies at lower rates of pay, part-time employment, and grade reduction actions. Terminal leave payments, including those for SES, will be identified as offsets against such savings.
- (6) *Positions above grade GS/GM-15.*—These positions will be reflected only to the extent that positions have been authorized in those grades by the Office of Personnel Management or other authority or are specifically authorized in substantive law.
- (7) *Awards.*—Estimates should include amounts for all cash incentive awards, e.g., performance and special act awards. For SES rank and performance awards, an explanation of how amounts were derived, as well as the average award amount, should be included. For other cash awards, agencies should be able to supply details

of planned and actual expenditures upon request.

- (8) *Executive selection and development programs.*—Estimates should include provisions for reasonable amounts for such programs, as required under Title IV of the Civil Service Reform Act of 1978 and by implementing guidelines issued by the Office of Personnel Management.
- (9) *Premium pay and overtime.*—Increases over amounts for the preceding year for premium pay must be fully justified. In preparing estimates for overtime, agencies should analyze the use of overtime to ensure that it is used in a prudent and efficient manner; explore all reasonable alternatives to overtime (such as improved scheduling); and ensure that adequate approval, monitoring, and audit procedures are in place to avoid overtime abuses.
- (10) *Special rates for experts and consultants.*—Authority to pay special rates for experts and consultants may be requested only when the agency demonstrates that the type and caliber of services required cannot be obtained at the maximum daily rate payable for GS-15 under the Classification Act. When such authority is justified and specifically authorized, special rates may not exceed the maximum rate for senior-level positions under 5 U.S.C. 5376.
- (11) *Severance pay.*—Estimates for severance pay will be for the amount needed for the fiscal year. However, obligations will be incurred on a pay-period-by-pay-period basis, notwithstanding the fact that a liability arises at the time of an employee's separation. Estimates will include the changes in severance pay and personnel compensation that would occur upon the application of instructions covered in OMB Circular No. A-76.
- (12) *Physicians comparability allowance.*—Estimates should reflect approved plans to pay bonuses to physicians in accordance with the Federal Physicians Comparability Allowance Amendments of 1987 (Public Law 100-140). Instructions for reporting on the physicians comparability allowance program will be issued separately.
- (13) *Bonuses and allowances.*—Estimates should reflect approved agency plans for paying recruitment and relocation bonuses and retention allowances. Agencies should be prepared to supply information on planned and actual expenditures upon request by OMB.
- (14) *Law enforcement officers.*—Estimates should reflect the nonoptional provisions for pay provided for law enforcement officers under the Federal Employees Pay Comparability Act of 1990 (Public Law 101-509), including:
 - higher minimum rates under section 403; and
 - special pay adjustments in selected cities under section 404.

PAYROLL COSTS BY OBJECT CLASS

Mr. CARR. In each description under "change in resources" for the various offices, you have aggregated pay and benefit increases. For example, the 1.6 percent pay raise, annualization of new positions, within grade increases, bonuses and awards, locality pay, FERS increases, and health care cost increases are all provided in a single number. For each office, please provide a detailed breakdown of the cost changes resulting in the composite total change, including but not limited to the categories shown above.

[The information follows:]

A detailed breakdown of cost changes for each office for pay and benefits follows. For clarity, OTFTP translates to 'Other than full-time permanent'. Also, the personnel benefits category includes, but is not limited to, the employer's portion of employee's group life insurance (FEGLI), health insurance (FEGHI), medicare, retirement (CSRS and FERS), thrift savings plan (TSP), fare subsidy, and FICA taxes.

APPROPRIATION: SALARIES & EXPENSES
OFFICE: GENERAL COUNSEL

		ANALYSIS OF RESOURCE REQUIREMENTS (\$ IN THOUSANDS)					
OBJECT CLASS	FY1984 ENACTED	REDUCTIONS		INCREASES		REDUCTIONS	
		ANNUAL- IZATIONS		PRICE LEVEL & OTHER NON-DISCR. INCREASES		ANTICIPATED MANAGEMENT SAVINGS	
						RECOMMENDED PROGRAM REDUCTIONS	RECOMMENDED PROGRAM INCREASES
							FY1985 PRES BUDGET
A. FUNDING SUMMARY							
1. PERSONNEL COMP. & BENEFITS (PC&B)							
a. COMPENSATION							
(1) FTP COSTS	5,875		55	75	60	(52)	6,013
(2) OTFTP COSTS							
-consultants	588			74	7		669
-other temp.							
SUBTOTAL, OTFTP	588			74	7		669
(3) OTHER COMPENSATION							
-overtime	32					(32)	
-bonuses	105						105
SUBTOTAL, OTH. COMP.	137					(32)	105
(4) SPEC. PERS. SERV.							
SUBTOTAL, COMPENSATION	6,600		55	149	67	(84)	6,787
b. PERSONNEL BENEFITS							
(1) REGULAR/FERS	961		10	27	10	(11)	987
(2) WORKMAN'S COMP.	32						32
SUBTOTAL, PERS. BENEFITS	993		10	27	10	(11)	1,029
c. BEN. FOR FORMER PERS.							
(1) SEVERANCE							
(2) UNEMPL. COMP.							
SUBTOTAL, BEN. FOR FORMER PERS.							
SUBTOTAL, PC&B	7,593		65	176	77	(95)	7,816

APPROPRIATION: SALARIES & EXPENSES
OFFICE: TRANSPORTATION POLICY

OBJECT CLASS	FY1994 ENACTED	INCREASES			REDUCTIONS			RECOMMENDED PROGRAM INCREASES	RECOMMENDED PROGRAM REDUCTIONS	FY1995 PRES BUDGET
		ANNUAL- REDUCTIONS	PRICE LEVEL & OTHER NON-DISCR. INCREASES	PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS					
A. FUNDING SUMMARY										
1. PERSONNEL COMP. & BENEFITS (PC&B)										1,954
a. COMPENSATION										
(1) FTP COSTS	2,050		44	20				(160)		
(2) OTFTP COSTS										
-consultants	32		3	1						36
-other temp.										
SUBTOTAL, OTFTP	32		3	1						36
(3) OTHER COMPENSATION										
-overtime	10									10
-bonuses	16									16
SUBTOTAL, OTH. COMP.	26									26
(4) SPEC. PERS. SERV.										
SUBTOTAL, COMPENSATION	2,108		47	21				(160)		2,016
b. PERSONNEL BENEFITS										
(1) REGULAR/FERS	259		5	3				(17)		250
(2) WORKMAN'S COMP.	12									12
SUBTOTAL, PERS. BENEFITS	271		5	3				(17)		262
c. BEN. FOR FORMER PERS.										
(1) SEVERANCE										
(2) UNEMPL. COMP.										
SUBTOTAL, BEN. FOR FORMER PERS.										
SUBTOTAL, PC&B	2,379		52	24				(177)		2,278

APPROPRIATION: SALARIES & EXPENSES
OFFICE: AVIATION & INTERNATIONAL AFFAIRS

ANALYSIS OF RESOURCE REQUIREMENTS
(\$ IN THOUSANDS)

OBJECT CLASS	FY1994 ENACTED	REDUCTIONS	ANNUAL- IZATIONS	INCREASES		REDUCTIONS		INCREASES	
				PRICE LEVEL & OTHER NON-DISCR. INCREASES	PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS	RECOMMENDED PROGRAM REDUCTIONS	RECOMMENDED PROGRAM INCREASES	FY1995 PRES BUDGET
A. FUNDING SUMMARY									
1. PERSONNEL COMP. & BENEFITS (PC&B)									
a. COMPENSATION									
(1) FTP COSTS	6,772		20	214	67		(402)		6,671
-consultants	73								73
(2) OTFTP COSTS	87			1	1				89
-other temp.									
SUBTOTAL, OTFTP	160			1	1				162
(3) OTHER COMPENSATION									
-overtime	31								31
-bonuses	50								50
SUBTOTAL, OTH. COMP.	81								81
(4) SPEC. PERS. SERV.									
SUBTOTAL, COMPENSATION	7,013		20	215	68		(402)		6,914
b. PERSONNEL BENEFITS									
(1) REGULAR/ERS	836			26	8		(48)		822
(2) WORKMAN'S COMP.	38								38
SUBTOTAL, PERS. BENEFITS	874			26	8		(48)		860
c. BEN. FOR FORMER PERS.									
(1) SEVERANCE									
(2) UNEMPL. COMP.									
SUBTOTAL, BEN. FOR FORMER PERS.									
SUBTOTAL, PC&B	7,887		20	241	76		(450)		7,774

APPROPRIATION: SALARIES & EXPENSES
OFFICE: BUDGET & PROGRAMS

ANALYSIS OF RESOURCE REQUIREMENTS
(\$ IN THOUSANDS)

OBJECT CLASS	FY1994 ENACTED	INCREASES			REDUCTIONS		INCREASES	
		ANNUAL- IZATIONS	PRICE LEVEL & OTHER NON-DISCR. INCREASES	RAISE	ANTICIPATED MANAGEMENT SAVINGS	RECOMMENDED PROGRAM REDUCTIONS	RECOMMENDED PROGRAM INCREASES	PRES BUDGET
A. FUNDING SUMMARY								
1. PERSONNEL COMP. & BENEFITS (PC&B)								
a. COMPENSATION								
(1) FTP COSTS	2,159		53	21		(147)		2,086
(2) OTFTP COSTS								
-consultants	172		1	2				175
-other temp.								
SUBTOTAL, OTFTP	172		1	2				175
(3) OTHER COMPENSATION								
-overtime	20					(15)		5
-bonuses	33							33
SUBTOTAL, OTH. COMP.	53					(15)		38
(4) SPEC. PERS. SERV.								
SUBTOTAL, COMPENSATION	2,384		54	23		(162)		2,299
b. PERSONNEL BENEFITS								
(1) REGULAR/FERS	346		7	4		(25)		332
(2) WORKMAN'S COMP.	11							11
SUBTOTAL, PERS. BENEFITS	357		7	4		(25)		343
c. BEN. FOR FORMER PERS.								
(1) SEVERANCE								
(2) UNEMPL. COMP.								
SUBTOTAL, BEN. FOR FORMER PERS.								
SUBTOTAL, PC&B	2,741		61	27		(187)		2,642

APPROPRIATION: SALARIES & EXPENSES
OFFICE: GOVERNMENTAL AFFAIRS

OBJECT CLASS	FY1994 ENACTED	REDUCTIONS	ANNUAL- IZATIONS	INCREASES		REDUCTIONS		INCREASES	
				PRICE LEVEL & OTHER NON-DISCR. INCREASES	PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS	RECOMMENDED PROGRAM REDUCTIONS	RECOMMENDED PROGRAM INCREASES	FY1995 PRES BUDGET
A. FUNDING SUMMARY									
1. PERSONNEL COMP. & BENEFITS (PC&B)									
a. COMPENSATION									
(1) FTP COSTS	1,004		20	104	12				1,140
(2) OTFTP COSTS									
-consultants	747		3	13	8				771
-other temp.									
SUBTOTAL, OTFTP	747		3	13	8				771
(3) OTHER COMPENSATION									
-overtime	10								10
-bonuses	26								26
SUBTOTAL, OTH. COMP.	36								36
(4) SPEC. PERS. SERV.									
SUBTOTAL, COMPENSATION	1,787		23	117	20				1,947
b. PERSONNEL BENEFITS									
(1) REGULAR/FERS	281		4	17	3				305
(2) WORKMAN'S COMP.	13								13
SUBTOTAL, PERS. BENEFITS	294		4	17	3				318
c. BEN. FOR FORMER PERS.									
(1) SEVERANCE									
(2) UNEMPL. COMP.									
SUBTOTAL, BEN. FOR FORMER PERS.									
SUBTOTAL, PC&B	2,081		27	134	23				2,265

APPROPRIATION: SALARIES & EXPENSES
OFFICE: ADMINISTRATION

OBJECT CLASS		FY1994 ENACTED		REDUCTIONS	ANNUAL-IZATIONS	INCREASES		PRICE LEVEL & OTHER NON-DISCR. INCREASES		PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS	REDUCTIONS	INCREASES	
A. FUNDING SUMMARY														
1. PERSONNEL COMP. & BENEFITS (PC&B)														
a. COMPENSATION														
(1) FTP COSTS		11,100	(216)		130	63	107					(518)		10,666
(2) OTFTP COSTS														
-consultants		217			4	2	2							225
-other temp.														
SUBTOTAL OTFTP		217			4	2	2							225
(3) OTHER COMPENSATION														
-overtime		50												50
-bonuses		212			7									219
SUBTOTAL OTH. COMP.		262			7									269
(4) SPEC. PERS. SERV.		28			7									35
SUBTOTAL COMPENSATION		11,607	(216)		148	65	109					(518)		11,195
b. PERSONNEL BENEFITS														
(1) REGULAR/ERS		1,742	(33)		20	10	17					(78)		1,678
(2) WORKMAN'S COMP.		55												55
SUBTOTAL, PERS. BENEFITS		1,797	(33)		20	10	17					(78)		1,733
c. BEN.FOR FORMER PERS.														
(1) SEVERANCE														
(2) UNEMPL. COMP.														
SUBTOTAL, BEN. FOR FORMER PERS.														
SUBTOTAL, PC&B		13,404	(249)		168	75	126					(596)		12,928

APPROPRIATION: SALARIES & EXPENSES
OFFICE: PUBLIC AFFAIRS

		ANALYSIS OF RESOURCE REQUIREMENTS (\$ IN THOUSANDS)							
		INCREASES		REDUCTIONS		INCREASES			
		PRICE LEVEL & OTHER NON-DISCR.		ANTICIPATED MANAGEMENT SAVINGS		RECOMMENDED PROGRAM REDUCTIONS		RECOMMENDED PROGRAM INCREASES	
		ANNUAL- IZATIONS		PAY RAISE				FY1995 PRES BUDGET	
OBJECT CLASS	FY1994 ENACTED	REDUCTIONS							
A. FUNDING SUMMARY									
1. PERSONNEL COMP. & BENEFITS (PC&B)									
a. COMPENSATION									
(1) FTP COSTS	623			24	7				654
(2) OTFTP COSTS									
-consultants	467			32	5				504
-other temp.									
SUBTOTAL OTFTP	467			32	5				504
(3) OTHER COMPENSATION									
-overtime	7								7
-bonuses	13			(1)					12
SUBTOTAL OTH. COMP.	20			(1)					19
(4) SPEC. PERS. SERV.									
SUBTOTAL COMPENSATION	1,110			55	12				1,177
b. PERSONNEL BENEFITS									
(1) REGULAR/FERS	192			8	2				202
(2) WORKMAN'S COMP.	8								8
SUBTOTAL PERS. BENEFITS	200			8	2				210
c. BEN. FOR FORMER PERS.									
(1) SEVERANCE									
(2) UNEMPL. COMP.									
SUBTOTAL BEN. FOR FORMER PERS.									
SUBTOTAL PC&B	1,310			63	14				1,397

APPROPRIATION: SALARIES & EXPENSES
OFFICE: S-1, Secr1 Office

ANALYSIS OF RESOURCE REQUIREMENTS
(\$ IN THOUSANDS)

OBJECT CLASS	FY1994 ENACTED	REDUCTIONS	ANNUAL- IZATIONS	INCREASES		REDUCTIONS		INCREASES	
				PRICE LEVEL & OTHER NON-DISCR. INCREASES	PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS	RECOMMENDED PROGRAM REDUCTIONS	RECOMMENDED PROGRAM INCREASES	FY1995 PRES BUDGET
A. FUNDING SUMMARY									
1. PERSONNEL COMP. & BENEFITS (PC&B)									
a. COMPENSATION									
(1) FTP COSTS	355		(234)	1	2			97	221
(2) OTFTP COSTS									
-consultants	430		319	6	10				765
-other temp.									
SUBTOTAL, OTFTP	430		319	6	10				765
(3) OTHER COMPENSATION									
-overtime	30								30
-bonuses	15								15
SUBTOTAL, OTH. COMP.	45								45
(4) SPEC. PERS. SERV.									
SUBTOTAL, COMPENSATION									
b. PERSONNEL BENEFITS	830		85	7	12			97	1,031
(1) REGULAR/FERS	193		1	1	2			19	216
(2) WORKMAN'S COMP.	4								4
SUBTOTAL, PERS. BENEFITS	197		1	1	2			19	220
c. BEN. FOR FORMER PERS.									
(1) SEVERANCE									
(2) UNEMPL. COMP.									
SUBTOTAL, BEN. FOR FORMER PERS.									
SUBTOTAL, PC&B	1,027		86	8	14			116	1,251

APPROPRIATION: SALARIES & EXPENSES ANALYSIS OF RESOURCE REQUIREMENTS
OFFICE: S-2 Sect1 Office (\$ IN THOUSANDS)

OBJECT CLASS	FY1994 ENACTED	REDUCTIONS	ANNUAL- IZATIONS	INCREASES		REDUCTIONS		INCREASES	
				PRICE LEVEL & OTHER NON-DISCR. INCREASES	PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS	RECOMMENDED PROGRAM REDUCTIONS	RECOMMENDED PROGRAM INCREASES	FY1995 PRES BUDGET
A. FUNDING SUMMARY									
1. PERSONNEL COMP. & BENEFITS (PC&B)									
a. COMPENSATION									
(1) FTP COSTS	155		10	1	2				168
(2) OTFTP COSTS									
-consultants	190		76	1	4				271
-other temp.									
SUBTOTAL, OTFTP	190		76	1	4				271
(3) OTHER COMPENSATION									
-overtime	25								25
-bonuses	6								6
SUBTOTAL, OTH. COMP.	31								31
(4) SPEC. PERS. SERV.									
SUBTOTAL, COMPENSATION	376		86	2	6				470
b. PERSONNEL BENEFITS									
(1) REGULAR/FERS	61		26	1	1				89
(2) WORKMAN'S COMP.	3								3
SUBTOTAL, PERS. BENEFITS	64		26	1	1				92
c. BEN FOR FORMER PERS.									
(1) SEVERANCE									
(2) UNEMPL. COMP.									
SUBTOTAL, BEN. FOR FORMER PERS.									
SUBTOTAL, PC&B	440		112	3	7				562

APPROPRIATION: ANALYSIS OF RESOURCE REQUIREMENTS
OFFICE: OFFICE OF INTELLIGENCE & SECURITY (\$ IN THOUSANDS)

OBJECT CLASS	FY1994 ENACTED	INCREASES			REDUCTIONS		INCREASES	
		REDUCTIONS	ANNUAL- IZATIONS	PRICE LEVEL & OTHER NON-DISCR. INCREASES	PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS	RECOMMENDED PROGRAM INCREASES	RECOMMENDED FY1995 PRES BUDGET
A. FUNDING SUMMARY								
1. PERSONNEL COMP. & BENEFITS (PC&B)								
a. COMPENSATION								
(1) FTP COSTS	550			162	7			719
(2) OTFTP COSTS								
-consultants								
-other temp.								
SUBTOTAL OTFTP								
(3) OTHER COMPENSATION								
-overtime	6							6
-bonuses	8							8
SUBTOTAL OTTH. COMP.	14							14
(4) SPEC. PERS. SERV.	185			9				194
SUBTOTAL COMPENSATION	749			171	7			927
b. PERSONNEL BENEFITS								
(1) REGULAR/FERS	77			63	1			141
(2) WORKMAN'S COMP.								
SUBTOTAL PERS. BENEFITS	77			63	1			141
c. BEN. FOR FORMER PERS.								
(1) SEVERANCE								
(2) UNEMPL. COMP.								
SUBTOTAL BEN. FOR FORMER PERS.								
SUBTOTAL, PC&B	826			234	8			1,068

APPROPRIATION: SALARIES & EXPENSES		ANALYSIS OF RESOURCE REQUIREMENTS (\$ IN THOUSANDS)							
OFFICE: S-10 Sec1 Office		REDUCTIONS		INCREASES		REDUCTIONS		INCREASES	
OBJECT CLASS	FY1994 ENACTED	ANNUAL- IZATIONS	PRICE LEVEL & OTHER NON-DISCR. INCREASES	PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS	RECOMMENDED PROGRAM REDUCTIONS	RECOMMENDED PROGRAM INCREASES	FY1995 PRES BUDGET	
A. FUNDING SUMMARY									
1. PERSONNEL COMP. & BENEFITS (PC&B)									
a. COMPENSATION									
(1) FTP COSTS	564	180	38	8				790	
(2) OTFP COSTS									
-consultants	180	(180)							
-other temp.									
SUBTOTAL, OTFTP	180	(180)							
(3) OTHER COMPENSATION									
-overtime	10					(9)		1	
-bonuses	8							8	
SUBTOTAL, OTH. COMP.	18					(9)		9	
(4) SPEC. PERS. SERV.									
SUBTOTAL, COMPENSATION	762		38	8		(9)		799	
b. PERSONNEL BENEFITS									
(1) REGULAR/FERS	126		(2)					124	
(2) WORKMAN'S COMP.	7							7	
SUBTOTAL, PERS. BENEFITS	133		(2)					131	
c. BEN. FOR FORMER PERS.									
(1) SEVERANCE									
(2) UNEMPL. COMP.									
SUBTOTAL, BEN. FOR FORMER PERS.									
SUBTOTAL, PC&B	895		36	8		(9)		930	

APPROPRIATION: SALARIES & EXPENSES
OFFICE: S-20 Contract Appeals

ANALYSIS OF RESOURCE REQUIREMENTS
(\$ IN THOUSANDS)

OBJECT CLASS	FY1994 ENACTED	REDUCTIONS	ANNUAL- IZATIONS	INCREASES		REDUCTIONS		INCREASES	
				PRICE LEVEL & OTHER NON-DISCR. INCREASES	PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS	RECOMMENDED PROGRAM REDUCTIONS	RECOMMENDED PROGRAM INCREASES	FY1995 PRES BUDGET
A. FUNDING SUMMARY									
1. PERSONNEL COMP. & BENEFITS (PC&B)									
a. COMPENSATION									
(1) FTP COSTS	496			24	6				526
(2) OTFTP COSTS									
-consultants									
-other temp.									
SUBTOTAL, OTFTP									
(3) OTHER COMPENSATION									
-overtime									
-bonuses	5			(1)					4
SUBTOTAL, OTH. COMP.	5			(1)					4
(4) SPEC. PERS. SERV.									
SUBTOTAL, COMPENSATION	501			23	6				530
b. PERSONNEL BENEFITS									
(1) REGULAR/FERS	72				1				73
(2) WORKMAN'S COMP.	2								2
SUBTOTAL, PERS. BENEFITS	74				1				75
c. BEN. FOR FORMER PERS.									
(1) SEVERANCE									
(2) UNEMPL. COMP.									
SUBTOTAL, BEN. FOR FORMER PERS.									
SUBTOTAL, PC&B	575			23	7				605

APPROPRIATION: SALARIES & EXPENSES
OFFICE: S-30 Civil Rights

ANALYSIS OF RESOURCE REQUIREMENTS (\$ IN THOUSANDS)		INCREASES				REDUCTIONS		INCREASES	
OBJECT CLASS	FY1994 ENACTED	REDUCTIONS	ANNUAL- IZATIONS	PRICE LEVEL & OTHER NON-DISC. INCREASES	PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS	RECOMMENDED PROGRAM REDUCTIONS	RECOMMENDED PROGRAM INCREASES	FY1995 PRES BUDGET
A. FUNDING SUMMARY									
1. PERSONNEL COMP. & BENEFITS (PC&B)									
a. COMPENSATION									
(1) FTP COSTS	1,021		7	250	11			215	1,504
(2) OTFTP COSTS									
-consultants	175			(175)					
-other temp.									
SUBTOTAL, OTFTP	175			(175)					
(3) OTHER COMPENSATION									
-overtime	5								5
-bonuses	17								17
SUBTOTAL, OTH. COMP.	22								22
(4) SPEC. PERS. SERV.									
SUBTOTAL, COMPENSATION	1,218		7	75	11			215	1,526
b. PERSONNEL BENEFITS									
(1) REGULAR/FERS	164		1	12	2			30	209
(2) WORKMAN'S COMP.	7								7
SUBTOTAL, PERS. BENEFITS	171		1	12	2			30	216
c. BEN. FOR FORMER PERS.									
(1) SEVERANCE									
(2) UNEMPL. COMP.									
SUBTOTAL, BEN. FOR FORMER PERS.									
SUBTOTAL, PC&B	1,389		8	87	13			245	1,742

APPROPRIATION: SALARIES & EXPENSES
OFFICE: S-40 Small & Disadv.

ANALYSIS OF RESOURCE REQUIREMENTS
(\$ IN THOUSANDS)

OBJECT CLASS	FY1994 ENACTED	REDUCTIONS	ANNUAL- IZATIONS	INCREASES		REDUCTIONS		INCREASES	
				PRICE LEVEL & OTHER NON-DISCR. INCREASES	PAY RAISE	ANTICIPATED MANAGEMENT SAVINGS	RECOMMENDED PROGRAM REDUCTIONS	RECOMMENDED PROGRAM INCREASES	FY1995 PRES BUDGET
A. FUNDING SUMMARY									
1. PERSONNEL COMP. & BENEFITS (PC&B)									
a. COMPENSATION									
(1) FTP COSTS	744			(103)	7				648
(2) OTFTP COSTS									
-consultants	21			114	2				137
-other temp.									
SUBTOTAL, OTFTP	21			114	2				137
(3) OTHER COMPENSATION									
-overtime	7						(6)		1
-bonuses	12						(9)		3
SUBTOTAL, OTH. COMP.	19						(15)		4
(4) SPEC. PERS. SERV.									
SUBTOTAL, COMPENSATION	784			11	9		(15)		789
b. PERSONNEL BENEFITS									
(1) REGULAR/FERS	138			2	2				142
(2) WORKMAN'S COMP.	4								4
SUBTOTAL, PERS. BENEFITS	142			2	2				146
c. BEN. FOR FORMER PERS.									
(1) SEVERANCE									
(2) UNEMPL. COMP.									
SUBTOTAL, BEN. FOR FORMER PERS.									
SUBTOTAL, PC&B	926			13	11		(15)		935

OTHER COSTS

Mr. CARR. For some offices, beginning in fiscal year 1995 you are shifting some expenses from "other costs" to "other services" under the Office of Administration. Why?

[The information follows:]

The presentation of the fiscal year 1995 budget does not represent a shift of the way costs are reported. Rather, what was in fiscal year 1994 identified as "other costs" is identified as "other services" in fiscal year 1995. This represents all costs such as communications and utilities, contractual services, supplies and materials, and equipment which are not considered part of personnel compensation and benefits or travel.

BOARD FOR CORRECTION OF MILITARY RECORDS

Mr. CARR. The fiscal year 1995 budget includes 3 FTEs in the Office of General Counsel for activities related to the board for correction of military records. Since the only military service in DOT is the Coast Guard, wouldn't it make more sense for these personnel to be funded by, and under the supervision of, the Coast Guard?

[The information follows:]

The statute establishing corrections boards in military organizations requires the Secretary to act through "civilian employees" in correcting records, see 10 U.S.C. § 1552(a). At DOT a determination was made to establish a delegation chain running through the General Counsel rather than the Commandant, in large part in order to avoid a situation in which the correction board was staffed by civilians whose professional advancement and working conditions were determined by military officers to whom they were directly accountable. (In other services the chain of command does not necessarily place civilian employees in this position.) Until the early 1990's the permanent staff of the Board, although reporting to the General Counsel, were paid by and otherwise supported by the Coast Guard. This was discontinued in order to avoid any appearance of improper influence.

We have undertaken steps to improve the timeliness of decisions of the Coast Guard Board for Correction of Military Records while maintaining both the quality of our opinions and the objectivity and integrity of our process. As appropriate, we will look at any additional measures we might take to improve the efficiency of our case processing.

AVIATION AND INTERNATIONAL AFFAIRS STAFFING

Mr. CARR. Please list all of the 119 positions included in the fiscal year 1995 request under Office of the Assistant Secretary for Aviation and International Affairs, showing the title, grade level, and salary.

[The information follows:]

ASSISTANT SECRETARY FOR AVIATION & INTERNATIONAL AFFAIRS

Title	Grade level	Salary
Assistant Secretary (Sch.C)	EX-Level IV	130,000
Director	ES-5	116,529
Director	ES-5	116,529
Deputy Asst. Sec., (Sch.C)	ES-5	116,529
Deputy Asst. Sec.,	ES-5	116,529
Deputy Director	ES-4	111,839
Dep. Dir., Prog. Policy	ES-4	111,839
Director	ES-4	111,839
Executive Assistant	ES-4	111,839
Director	ES-4	111,839
Director	ES-4	111,839
Dep. Dir., Prog. Policy	ES-4	111,839
Deputy Director	ES-1	96,830
Program Analyst	GM-15	80,999
Director (AO)	GM-15	77,030
Trade Policy Analyst	GM-15	85,720
Sup. Int'l Trans. Spec.	GM-15	77,525
Economist	GM-15	90,252
Int'l Trans. Spec.	GM-15	80,999
Sup. Int'l Trans. Spec.	GM-15	90,252
Economist	GM-15	87,877
Sup. Int'l Trans. Spec.	GM-15	84,802
Trans. Regulatory Officer	GM-15	90,252
Trans. Negotiations Officer	GM-15	90,252
Industry Economist	GM-15	90,252
Trans Policy Analyst	GM-15	90,252
Trans. Policy Analyst	GM-15	90,252
Sup. Trans. Ind. Analyst	GM-15	89,431
Trans. Industry Analyst	GM-15	90,252
Trans. I Supnd. Anal.	GM-15	89,430
Sup. Economist	GM-15	88,538
Sup. Trans. Spec.	GM-15	90,252
Sup. Trans. Ind. Analyst	GM-15	78,219
Sup. Trans. Ind. Analyst	GM-15	90,252
Sup. Trans. Ind. Analyst	GM-15	89,049
Trans. Ind. Analyst	GM-15	90,252
Trans. Ind. Analyst Officer	GM-15	90,252
Sup. Trans. Ind. Analyst	GM-15	82,717
Sup. Ind. Economist	GM-15	90,252
Sup. Industry Economist	GM-15	90,252
Sup. Trans. Ind. Ana.	GM-15	90,252
Sup. Trans. Ind. Analyst	GM-15	90,252
Sup. Trans. Ind. Analyst	GM-15	90,252
Industry Economist	GM-15	86,993
Economist	GM-14	76,733
Int'l Trans. Spec.	GM-14	66,894
Int'l Trans. Spec.	GM-14	65,910
Trans. Ind. Analyst	GM-14	76,733

Trans. Ind. Analyst	GM-14	76,733
Trans. Ind. Analyst	GM-14	72,295
Trans. Ind. Analyst	GM-14	64,821
Trans. Ind. Analyst	GM-14	76,733
Trans. Ind. Analyst	GM-14	68,766
Trans. Ind. Analyst	GM-14	67,880
Trans. Ind. Analyst	GM-14	75,751
Trans. Ind. Analyst	GM-14	75,996
Trans. Ind. Analyst	GM-14	73,099
Trans. Ind. Analyst	GM-14	76,733
Trans. Ind. Analyst	GM-14	72,800
Industry Economist	GM-14	76,733
Industry Economist	GM-14	63,937
Trans. Ind. Analyst	GM-14	73,481
Trans. Ind. Analyst	GM-14	67,880
Trans. Ind. Analyst	GM-14	65,709
Industry Economist	GM-14	68,169
Oper. Research Analyst	GM-14	76,733
Trans. Ind. Analyst	GM-14	72,662
Accountant	GM-14	68,461
Trans. Ind. Analyst	GM-14	76,733
Industry Economist	GM-14	76,733
Trans. Ind. Analyst	GM-14	76,733
Trans. Ind. Analyst	GM-14	75,498
Trans. Ind. Analyst	GM-14	76,733
Int'l Trans. Spec.	GM-13	54,941
Int'l Trans. Spec.	GM-13	51,612
Int'l Trans. Spec.	GM-13	51,612
Trans. Ind. Analyst	GM-13	55,773
Trans. Ind. Analyst	GM-13	54,941
Trans. Ind. Analyst	GM-13	55,773
Trans. Ind. Analyst	GM-13	60,495
Trans. Ind. Analyst	GM-13	53,276
Trans. Ind. Analyst	GM-13	53,276
Financial Specialist	GS-12	44,802
Int'l Trans. Spec.	GS-12	43,402
Int'l Trans. Spec.	GS-12	43,402
Trans. Ind. Analyst	GS-12	49,002
Trans. Ind. Analyst	GS-12	47,602
Trans. Ind. Analyst	GS-12	49,002
Trans. Ind. Analyst	GS-12	49,002
Trans. Ind. Analyst	GS-12	54,601
Trans. Ind. Analyst	GS-12	47,602
Int'l Trans. Spec.	GS-11	50,401
Trans. Industry Analyst	GS-11	35,045
Trans. Ind. Analyst	GS-11	39,719
Trans. Ind. Analyst	GS-11	43,224
Air Trans. Prog. Spec.	GS-11	39,719
Secretary Steno (OA)	GS-10	45,561
Secretary (OA)	GS-09	41,466
Secretary (OA)	GS-09	34,755
Secretary (OA)	GS-09	36,686
Secretary (OA)	GS-09	31,860
Secretary (OA)	GS-09	35,721

Trans. Ind. Analyst	GS-09	34,755
Air Trans. Prog. Asst.	GS-09	36,686
Correspondence Analyst (QA)	GS-08	31,470
Secretary (QA)	GS-08	31,470
Foreign Airlines Appl.Asst.	GS-08	34,094
Secretary (QA)	GS-08	32,345
Air Transport Prog. Asst.	GS-08	31,470
Air Transport Prog. Asst.	GS-08	31,470
Secretary (QA)	GS-07	26,834
Secretary (QA)	GS-07	29,201
Secretary (QA)	GS-07	26,834
Secretary (QA)	GS-07	26,834
Secretary (QA)	GS-07	26,045
Secretary (QA)	GS-07	29,990
Secretary (QA)	GS-06	22,486
Secretary (QA)	GS-06	26,572
Secretary (QA)	GS-05	23,839

BUDGET AND PROGRAMS STAFFING

Mr. CARR. Please list all of the 37 positions included in the fiscal year 1994 enacted budget and the 55 positions included in the fiscal year 1995 request under Office of the Assistant Secretary for Budget and Programs, showing the title, grade level, and salary.

[The information follows:]

Of the 37 positions included in the FY 1994 budget for the Office of Budget and Programs, 35 staff years were funded. The funded positions are listed below by title, grade level, and current annual salary.

Assistant Secretary/CFO	EX-04	\$115,700
Deputy Assistant Secretary	ES-04	\$111,839
Special Assistant	GM-15	\$90,252
Secretary (Steno)	GS-08	\$34,094
Staff Assistant	GS-11	\$44,393
Director of Programs & Evaluation	ES -04	\$111,839
Administrative Officer	GS-11	\$44,393
Secretary (Steno)	GS-08	\$34,094
Program Analyst	GM-15	\$90,252
Program Analysis Officer	GM-15	\$89,867
Program Analyst	GM-15	\$85,382
Program Analyst	GM-14	\$76,733
Program Analyst	GS-11	\$35,045
Program Analysis Officer	GM-15	\$90,252
Program Analyst	GM-14	\$76,733
Program Analyst	GM-14	\$75,011
Program Analyst	GS-11	\$35,045
Program Analyst	GS-11	\$35,045
Secretary (Typing)	GS-07	\$28,412
Supv. Budget Analyst	GM-15	\$90,252
Budget Analyst	GM-15	\$90,252
Budget Analyst	GM-15	\$90,252
Budget Analyst	GM-15	\$90,252
Budget Analyst	GM-15	\$90,252
Budget Analyst	GM-13	\$62,040
Budget Analyst	GS-12	\$42,003
Budget Analyst	GS-11	\$35,045
Secretary (Typing)	GS-06	\$24,529
Director of Budget	ES-04	\$111,839
Deputy Director of Budget	ES-04	\$111,839
Secretary (Typing)	GS-08	\$30,596
Budget Officer	GS-15	\$86,784
Budget Analyst	GM-14	\$75,755
Budget Analyst	GM-13	\$53,276
Secretary (Typing)	GS-07	\$26,045

Of the 55 positions included in the FY 1995 budget for the Office of Budget and Programs, funding for 53 positions is requested. The funded positions are listed below by title, grade level, and current annual salary.

Assistant Secretary/CFO	EX-04	\$117,088
Deputy Assistant Secretary	ES-04	\$113,181
Special Assistant	GM-15	\$91,335
Secretary (Steno)	GS-08	\$34,503
Staff Assistant	GS-11	\$44,926
Director of Programs & Evaluation	ES-04	\$113,181
Administrative Officer	GS-11	\$44,926
Secretary (Steno)	GS-08	\$34,503
Program Analysis Officer	GM-15	\$90,945
Program Analyst	GM-15	\$86,407
Program Analyst	GM-14	\$77,654
Program Analyst	GS-11	\$35,466
Program Analysis Officer	GM-15	\$91,335
Program Analyst	GM-14	\$77,654
Program Analyst	GM-14	\$75,911
Program Analyst	GS-11	\$35,466
Supv. Budget Analyst	GM-15	\$91,335
Budget Analyst	GM-15	\$91,335
Budget Analyst	GM-15	\$91,335
Budget Analyst	GM-15	\$91,335
Budget Analyst	GM-13	\$62,784
Budget Analyst	GS-12	\$42,507
Budget Analyst	GS-11	\$35,466
Secretary (Typing)	GS-6	\$24,823
Director of Budget	ES-04	\$113,181
Deputy Director of Budget	ES-04	\$113,181
Secretary (Typing)	GS-08	\$30,963
Budget Officer	GS-15	\$87,825
Budget Analyst	GM-14	\$76,664
Budget Analyst	GM-13	\$53,915
Secretary (Typing)	GS-07	\$26,358
Deputy CFO	ES-04	\$113,181
Dir. Office of Fin Mgmt	GM-15	\$91,335
Program Assistant	GS-09	\$34,755
Secretary (OA)	GS-06	\$30,596
Secretary (OA)	GS-05	\$20,173
Supv Staff Account	GM-15	\$87,326
Staff Accountant	GM-14	\$76,733
Travel & Fiscal Spec.	GM-13	\$51,612
Travel & Fiscal Spec.	GS-13	\$49,947
Secretary (OA)	GS-08	\$29,201
Supv. Staff Account	GM-15	\$87,367

Staff Accountant	GM-14	\$76,733
Staff Accountant	GM-14	\$68,865
Staff Accountant	GM-14	\$65,709
Financial Specialist	GS-09	\$28,964
Secretary (OA)	GS-07	\$26,045
Staff Accountant	GM-14	\$67,880
Staff Accountant	GM-14	\$67,878
Staff Accountant	GM-14	\$66,894
Staff Accountant	GM-14	\$65,907
Staff Accountant	GM-14	\$64,926
Accountant	GS-11	\$37,382

BUDGET OFFICE TRAVEL

Mr. CARR. In fiscal year 1992, the Congress raised the travel budget of the Office of the Assistant Secretary for Budget and Programs from \$8,000 to \$25,000 and directed that these additional funds be used mainly for budget and programs analytical staff to review estimates in the field. Even though you budgeted \$25,000 for travel the following year (fiscal year 1993), your 1995 justifications show that you only spent \$21,000. Why was the fiscal year 1993 number reduced?

[The information follows:]

In the early months of fiscal year 1993, travel was held to a minimum, in order to allow members of the new administration to establish travel priorities. Only about \$9,700 (less than half) was obligated during the first eight months. Once the new leadership was in place, the rate of travel increased rapidly, with over \$11,000 obligated in the last four months.

Mr. CARR. You are still showing a travel budget of \$25,000 for this office in fiscal year 1994. How much of this amount has been obligated at this time?

[The information follows:]

As of April 15, 1994, \$11,536 has been obligated for travel by this office.

Mr. CARR. As mentioned, the Congress directed that most of the increased funding above \$8,000 be used for analytical staff to review estimates in the field. Please provide a list, by which breaks down the \$21,000 in fiscal year 1993 travel costs by position performing the travel.

[The information follows:]

<i>Position</i>	<i>Amount</i>
Assistant Secretary for Budget and Programs	\$8,891.06
Special Assistant to the Assistant Secretary	1,147.31
Director of Programs and Evaluation	286.33
Deputy Director of Budget	193.50
Chief, Transportation Operations Division	518.00
Acting Chief, Transportation Assistance Division	63.00
Budget Analysts	2,782.27
Program Analysts	6,437.79
Other—local travel reimbursement	230.74
Total	20,550.00

Mr. CARR. Please also provide a list showing the dates, locations, and purpose of each of these trips.

[The information follows:]

<u>Dates</u>	<u>Locations</u>	<u>Purpose</u>
10/13-15/92	Los Angeles, CA	To review ATC automation for MCFs and stand-alone facilities
10/14-17/92	Palo Alto, CA	Surrogate for Secretary Skinner at National Technology Initiative Conference
10/21/92	Richmond, VA, and Raleigh, NC	To announce high-speed rail corridors
10/22-25/92	New York, NY	To meet with grant recipients of DOT's Homeless Outreach Project in Transit Facilities
10/29-30/92	Mystic, CN	To attend meeting regarding new TSARC role for Coast Guard R&D Center in independent testing of buoy tenders
11/1-6/92	Palm Coast, FL	To attend "The Power of Vision--the DOT Manager's Course
12/16-17/92	Cambridge, MA and Kansas City, MO	To participate in focus group discussions on key strategic transportation issues
12/16-18/92	Oklahoma City, OK	To review building plan for new facilities at FAA Aeronautical Center
6/9-13/93	Washington, DC	Intermittent Consultant
6/14-20/93	Washington, DC	Intermittent Consultant
6/21-30/93	San Francisco, CA*	Intermittent Consultant
7/6-11/93	Washington, DC	Intermittent Consultant
7/12-29/93	Washington, DC	Intermittent Consultant
8/1-9/93	Oakland, CA*	Intermittent Consultant
8/6-10/93	New York, NY	Tour of Governors Island complex with US Coast Guard
*Returned to residence in Berkeley, CA, on 6/30/93, returning to Washington, DC, on 7/6/93; and on 7/29/93, returning to Washington, DC, on 8/1/93.		
2/17-19/93	Annapolis, MD	To attend FAA Capital Investment Plan Conference
4/16-20/93	Atlanta, GA	PMI conference

5/10-13/93	Denver & Boulder, CO	To visit air traffic facilities and FAA contractor facilities
5/10-11/93	Boston, MA	To participate in the National Laboratories to discuss transportation opportunities for President Clinton's technology reinvestment program
5/17-19/93	Solomons Island, MD	To attend Transportation Issues Seminar
5/23-28/93	Houston & Galveston, TX; Mobile, AL; New Orleans, LA	To visit Coast Guard facilities
6/6-11/93	Boston, MA	To attend Career Strategies for Prospective Women Managers course
6/10-15/93	Boston, MA	To visit NHTSA and FHWA field offices
6/21-22/93	Philadelphia, PA & Boston, MA	FRA field trips
6/29-7/3/93	Richmond, VA	PMI mid-year conference
8/17/93	Annapolis, MD	To attend FAA Annual International Representatives meeting on US Aviation Industry Competitiveness
9/12-18/93	Palm Coast, FL	To attend "The Power of Vision--the DOT Manager's Course"

BUDGET OFFICE TRAVEL

Mr. CARR. You are requesting an increase in travel funds for this office, from \$25,000 in fiscal year 1994 to \$32,000 in fiscal year 1995. Why?

[The information follows:]

The additional \$7,000 in fiscal year 1995 reflects the travel funding needed to support Financial Management functions, which were transferred during FY 1994 to the Office of the Assistant Secretary for Budget and Programs (and therefore not included in the \$25,000 base level).

In fiscal year 1994, \$3,000 was budgeted for travel for financial management (see page 25 of OST's budget justification). The increase to \$7,000 in FY 1995 is required in order to conduct on-site visits to field accounting offices. The visits will allow the Financial Management staff to disseminate new audited financial statement requirements and validate conformance of these statements with established accounting standards. The increase is more than offset by proposed reductions in other services in financial management.

TRANSFER OF FINANCIAL MANAGEMENT STAFF

Mr. CARR. The 20 financial management positions transferred from the Office of the Assistant Secretary for Administration only required \$3,000 in travel funds in fiscal year 1994. On page 20, you are requesting \$7,000 for those 20 positions to travel in fiscal year 1995. Do these individuals have new responsibilities after the transfer which would require them to travel more?

[The information follows:]

In support of this office's role as the CFO, the staff are required to conduct on-site visits to field accounting offices to explain new audited financial statement with established accounting standards.

BUDGET OFFICE STAFF REDUCTIONS

Mr. CARR. On page 21, you state that there is a reduction of \$187,000 associated with the proposed decrease of two staff years. That equates to a reduction of \$94,000 per staff year. Which positions are being eliminated which result in such large decreases to the budget?

[The information follows:]

The reduction of two positions and \$187,000 in the Budget Office is not associated with specific positions.

FINANCIAL MANAGEMENT ACTIVITIES

Mr. CARR. What studies (contract or in-house) were performed to indicate that financial management activities would be more effectively performed under budget and programs instead of under administration?

[The information follows:]

The decision to combine financial management with budget and programs was made in the context of establishing a Chief Financial Officer (CFO) for the Department and implementing the Chief Financial Officers' Act. While no specific studies were performed, a variety of options were carefully considered by DOT officials, and meetings were held to discuss this matter with CFOs and others throughout the government to learn from their experience. These discussions confirmed that the Department's financial management and budget and programs activities would all be strengthened by working more closely together in a single organization with the budget being the driving force.

FACILITY ALTERATIONS

Mr. CARR. Please provide a detailed description of the \$11,000 in facility alterations being funded in fiscal year 1994 to accommodate

the newly created position of deputy chief financial officer and related staff within the Office of the Assistant Secretary for Budget and Programs.

[The information follows:]

The estimated \$11,000 expenditure for alterations in the Office of the Assistant Secretary for Budget and Programs to accommodate the newly created position of Deputy Chief Financial Officer was high. The actual cost was only \$7,731.45. the detailed breakdown of expenditures are:

New carpet	\$850.00
Cleaning of existing carpet	350.00
Remove doors, and close openings (2 ea)	840.00
Relocation of standard partitions (35 linear ft)	1,398.25
Install standard partitions-reuse (20 linear ft)	461.00
Install new doors and jamb in new partition (2 ea)	196.00
Install new doors and jamb in exist. partition (3 ea)	563.85
Remove and cap electrical outlets (8 ea)	249.20
Install wall outlet (8 ea)	1,406.00
Remove and cap telephone outlet (5 ea)	135.50
Install wall phone (4 ea)	184.00
Install light switches (5 ea)	242.25
Relay (1)	31.10
Remove light switches (3 ea)	56.10
Time and material to install wall outlets (4 ea)	151.80
Remove glass door reinstall building standard (1)	616.40

FUNDING TRANSFERS FOR REORGANIZATIONS

Mr. CARR. Please provide a copy of Comptroller General Decision B-239031, dated June 22, 1990, regarding the legislative authority to transfer funding between appropriations when reorganizations occur within the executive branch.

[The information follows:]



Comptroller General
of the United States
Washington, D.C. 20548

Do not make available to public reading
for 10 days

B-239031

June 22, 1990

The Honorable Dennis DeConcini
Chairman, Subcommittee on Treasury,
Postal Service, and General Government
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

This is in response to your request for our opinion concerning the scope of section 103 of the Treasury, Postal Service, and General Government Appropriations Act, 1990 (Treasury Appropriations Act), Pub. L. No. 101-136, 103 Stat. 783. Specifically, you asked whether the restrictions on the transfer of funds contained in section 103 prohibited the Treasury Secretary from transferring \$1.6 million from the Internal Revenue Service (IRS) to the Treasury Office of Inspector General (OIG) under authority of the Inspector General Act Amendments of 1988 (IG Act Amendments), Pub. L. No. 100-504, 102 Stat. 2515. In our opinion, the restrictions on the transfer of funds contained in section 103 apply only to transfer authority contained in that section. As such, they do not apply to funds transferred under authority of the IG Act Amendments. Therefore, the Treasury Secretary properly effected the transfer of funds in question.

BACKGROUND

Your staff has advised us that the Treasury Secretary transferred to OIG the function of conducting certain investigations within the Internal Revenue Service (IRS) and also transferred \$1.6 million to perform that function. We are asked whether the Secretary had authority to effect the transfer of funds since the amount transferred exceeded 2 percent of OIG's appropriation and section 103 restricts transfers to no more than 2 percent of any appropriation to the Department of the Treasury.

DISCUSSION

We begin our discussion by determining the purpose of section 103. Section 103 provides that:

"Not to exceed 2 per centum of any appropriations in this Act for the Department of the Treasury may be transferred between such appropriations. However, no such appropriation shall be increased or decreased by more than 2 per centum and any proposed transfers shall be approved in advance by the Committees on Appropriations of the House and Senate."

The first sentence of section 103 is a common provision included in many appropriations acts. Congress routinely uses the phrase "not to exceed . . . may be transferred" permissively to grant agencies limited transfer authority. See, e.g., Pub. L. No. 101-101, § 302, 103 Stat. 641, 662 (1989); Pub. L. No. 100-371, § 302, 102 Stat. 857, 871 (1988). Nothing in section 103 indicates that Congress intended for it to be anything other than a grant of limited transfer authority.

Legislative histories accompanying previous provisions containing identical language support our interpretation of section 103 as a grant of transfer authority. See, e.g., S. Rep. 406, 99th Cong., 2d Sess. 4 (1986); S. Rep. 562, 98th Cong., 2d Sess. 3 (1985). With respect to the fiscal year 1987 appropriations act, the Senate Committee on Appropriations stated:

"The administration has requested limited authority for the Secretary of the Treasury to transfer funds between appropriation accounts of the Department of the Treasury"

"The Committee has approved the request of the Department that they be granted authority to transfer up to 1 percent between appropriations accounts, but only upon prior approval of the respective Committees on Appropriations. These transfers will be requested only in emergency situations when the need for such transfer is unforeseen and absolutely critical to the mission supported by the affected appropriation account, and only after authority [sic] has received the express approval of both the House and Senate Committees on Appropriations."

S. Rep. No. 406, 99th Cong., 2d Sess. 4 (1986).

The second sentence of section 103 requires advance approval by the Committees on Appropriations before a transfer and stipulates that in making transfers Treasury may not increase or decrease any appropriation by more than 2 percent. However, we do not believe that these restrictions apply to the transfer of funds by Treasury under any statutory authority. The fact that this sentence begins with "However" and refers to "such appropriations" suggests that it is referring back to the first sentence and thus is no more than a limitation on the transfer authority contained in the first sentence. We see nothing either in the language of the provision or the legislative history of its predecessor provisions to suggest that the Congress intended to restrict Treasury's transfer authority contained in other laws. Therefore, we conclude that the restrictions contained in the second sentence of section 103 apply only to the limited transfer authority contained in section 103.

Since the restrictions in section 103 apply only to transfer authority granted by section 103, the Secretary may transfer funds without regard to those restrictions if he is otherwise authorized to do so. Under the IG Act Amendments of 1988, the Treasury Secretary may transfer to OIG certain functions that he determines are properly related to the functions of OIG. 5 U.S.C. App. § 9(a)(2). Under the statute any transfer of function also effects the transfer of the resources available to perform such functions. 5 U.S.C. App. § 9(b). Therefore, the Secretary had independent authority under the IG Act Amendments to effect the transfer of funds and the transfer was proper.

A member of the Subcommittee staff requested that in the event we determined that section 103 did not apply to the transfer in question, we suggest language to make section 103 generally applicable to Treasury's authority to transfer funds. To make the restrictions in section 103 applicable to transfer authority contained in other laws, the Committee should delete "However, no such appropriation shall be increased or decreased" from the beginning of the second sentence of section 103 and substitute the following:

"Notwithstanding any authority to transfer funds between appropriations contained in this or any other Act, no transfer may increase or decrease any appropriation in this Act"

We trust that this opinion is responsive to your needs. Unless you release it earlier, this opinion will be available to the public 10 days from today.

Sincerely yours,

Milton J. Fowler
ja Comptroller General
of the United States

GOVERNMENTAL AFFAIRS STAFFING

Mr. CARR. In the Office of the Assistant Secretary for Governmental Affairs, you are proposing to shift seven staff years from Consumer Affairs to Congressional Affairs. The justifications state that the transfer is made possible due to declining numbers of consumer complaints. But doesn't this office do more than handle complaints? For example, don't they provide advice and assistance to consumers?

[The information follows:]

The activities of the office are grouped into five functional areas: Consumer Assistance—(the complaint handling function), Consumer Protection, Rulemaking, Consumer Education, and Consumer Information. However, it is appropriate to look at this reduction in staffing given the fact that between 1987 and 1992, consumer complaints have declined from a record high of almost 45,000 to less than 8,000 annually.

Consumer protection—(the investigation function), is a matter of vital importance to every facet of the traveling public. I want to assure you that fair treatment of all aviation consumers is of the utmost concern. We have no intention of diminishing, in any way, that commitment to the public.

None of the functions of the office, including the other three areas: Information, Education and Rulemaking, have been or are proposed to be terminated. We plan to continue to deliver the necessary services, without diminishing the high quality of the product, by streamlining operations as they currently exist. Moreover, the reduced workload related to complaints allows more efficient staffing.

TRAVEL INCREASES FOR ADMINISTRATION

Mr. CARR. In the Office of the Assistant Secretary for Administration, you are proposing to raise the travel budget per staff year from \$410 to \$500, a 21.9 percent increase. Why is this necessary?

[The information follows:]

Only \$2,000 of the \$13,000 increase in travel is requested for general inflation, about a 3 percent or \$12 increase per staff year. The remaining \$9,000 represents funding for travel not currently being performed. The Department has been criticized by the General Accounting Office, the General Services Administration and the Office of Management and Budget on its insufficient oversight of the information resource acquisitions.

For fiscal year 1995, an IRM review of FHWA is planned. After initial discussions a determination will be made as to specific field locations with active IRM programs. These reviews will assess adequacy of data supporting acquisitions as well as assessing compliance with federal rules and regulations. A "hands on" review is necessary to assure the appropriate management of DOT's procurements.

SAVINGS FROM PLANNED PROGRAM REDUCTIONS

Mr. CARR. On page 26, your budget includes a decrease under "other services" for "savings achievable through planned program reductions, and increased efficiencies and streamlining resulting from NPR efforts". Please provide a brief description of each of these anticipated savings.

[The information follows:]

OFFICE OF ASSISTANT SECRETARY FOR ADMINISTRATION
SAVINGS FROM PLANNED PROGRAM REDUCTIONS

Worker's Compensation Program - This was a one-time investment in FY 1994 to track costs associated with this program.	\$8,000
Telecommunications - These funds were requested for development of a plan to integrate existing networks. Funding for further development pending outcome of NPR initiatives.	\$45,000
Payment to the WCF for TCC - A careful review of use of TCC mainframe and office automation services is expected to result in economies.	\$426,000
Payment to the WCF for Administrative Services - Reflects the reduction of services such as, limiting contract labor support to only safety, office relocations and conference room set-up; elimination of the headquarters consolidation project; and limiting alterations to the abatement of safety hazards.	\$363,000
Energy/Environmental Auditing - These program reductions reflect our assessment that a reduced level of funding will provide adequate coverage for the year.	\$75,000
Supplies and Materials - Improved oversight and reduced OST staff level will result in fewer dollars for supplies and materials.	\$16,000
Equipment - FY 1994 included \$12,000 for a one-time purchase of a filing system for the Office of Commercial Space. Additionally, it was determined that with careful maintenance purchase of some equipment could be eliminated this fiscal year.	\$62,000
TSARC Technical Support - Reflects the availability of in-house technical resources to support the specific program decisions projected for FY 1995. In addition, use of the results of technical efforts from late FY 1994 will be ongoing in FY 1995.	\$26,000
Procurement Professionalism - In the interest of the NPR, and government downsizing, DOT is reassessing its professionalism plans. The request for further funding is being deferred until these plans, as well as governmentwide requirements proposed in S. 1587, Acquisition Streamlining Act of 1994, are finalized.	\$57,000
Total	\$1,078,000

Mr. CARR. Did the modal administrations take these savings also? If not, why not?

[The information follows:]

The savings described above are those under the jurisdiction of the Office of the Secretary. They do not directly translate to savings in the operating administrations. Each operating administration identifies where program savings can be achieved and potential targets for reductions.

WORKING CAPITAL FUND PAYMENTS

Mr. CARR. On page 28, you are showing a decrease of \$1,388,000 in OST payments to the working capital fund (WCF). Since you propose an overall increase in costs under the WCF limitation, isn't this a hidden tax on the other modes, who must therefore pay more into the WCF to make up the difference?

[The information follows:]

Of the \$1,388,000 reduction, \$940,000 represents funding for accounting activities which were transferred to the Office of Budget and Programs consistent with the transfer of the Chief Financial Officer function. This is still a payment to WCF, but made by Budget and Programs.

The remaining net reduction of \$448,000 reflects OST's commitment to reduce the level of services received from the Working Capital Fund. We plan to reduce our use of TCC mainframe and personal computer services as well as reduce administrative support requirements by limiting contract labor support to safety, office relocations and conference room set up, eliminate the headquarters consolidation project; and limit building alterations to the abatement of safety hazards. These costs are billed based on actual usage of the services and will not result in increased costs to the other operating administrations.

FUNDING OF THE WORKING CAPITAL FUND

Mr. CARR. To what extent can OST and the individual modes control the amount of funds they budget for support of the working capital fund?

[The information follows:]

The OST and operating administrations can control their costs in several of the working capital fund activities. The support activities are generally charged on a population basis. However, the Transportation Computer Center, telecommunications, printing, graphics, postage, and motor pool are activities that are charged based on actual usage. To the extent OST or an operating administration cuts back on the amount of printing, use of mainframe and software/hardware support, reduces mailings, etc., it will realize a corresponding reduction in payments to the Working Capital Fund.

In addition, the WCF surveys the operating administrations each year to determine the level and type of services they will need from the Transportation Computer Center, telecommunications activities and DAFIS operations. The WCF also periodically reviews actual operating administrations' usage of other WCF services. This information is used in developing the WCF budget.

TSARC TECHNICAL SUPPORT

Mr. CARR. You are requesting \$25,000 for TSARC technical support in fiscal year 1995. What support has been provided thus far from the \$50,000 provided for this purpose in fiscal year 1994?

[The information follows:]

The \$50,000 funding provided for fiscal year 1994 will provide only limited technical support whether from VNTSC, Government Agencies or an independent contractor. We are in the process of selecting a contractor and anticipate contract award in the near future. Technical assistance will facilitate review of TSARC's scheduled for later this fiscal year and permit us to expedite the evaluation of the various revised acquisition strategies for the Advanced Automation System (AAS) and other consolidation related programs, as well as innovative approaches to Sat-

elite and other Navigation programs. Examples of tasks for which outside expertise may be requested this year include: feasibility studies of Software Integration Plan; and management, finance, and software studies of revised AAS program plans.

Funds for tasks in FY 1995 will be identified as the need arises. Funds provided for TSARC technical support are not allocated to predetermined tasks but used as specialized expertise is required.

PROCUREMENT PROFESSIONALISM

Mr. CARR. You are requesting \$55,000 to improve "procurement professionalism" in fiscal year 1995. Specifically, what will these funds be used for and how will they improve the Department's procurement processes?

[The information follows:]

The fiscal year 1995 request does not include funding for procurement professionalism. However, funds were requested in fiscal year 1994.

Office of Federal Procurement Policy (OFPP) Letter 92-3, Procurement Professionalism, requires that personnel in the contracting series (GS-1102) and purchasing series (GS-1105), as well as Contracting Officer's representatives (CORs) receive a combination of classroom and on-the-job training in individual skills identified by the Federal Acquisition Institute (FAI).

The FAI is in the process of developing the required "competency based" training courses. DOT has planned to use the FAI classes as much as possible, tailored for agency specific material. The requested funds were to be applied to this effort.

Consistent with the National Performance Review, and Government downsizing, DOT is reassessing its professionalism plans. The requested funding is being deferred until these plans, as well as Governmentwide requirements proposed in S. 1587, Acquisition Streamline Act of 1994, are finalized.

MANAGEMENT PLANNING STAFF

Mr. CARR. On page 29, your fiscal year 1995 request includes 17 positions in a unit called "management planning". What are the responsibilities and primary activities of this unit?

[The information follows:]

The Office of Management Planning provides the Office of the Secretary with analyses of Department functions and coordinates management activities that contribute to an effectively functioning Department.

The office is responsible for managing internal and external management initiatives; conducting management studies, such as cost effectiveness studies on the Anti-Drug Information Center and the Transportation Computer Center, and providing management consulting services, such as organizational and staffing advice to the Office of Commercial Space, the Office of Civil Rights and the Office of Governmental Affairs; managing the Department's interactions with the General Accounting Office—ensuring that response to reports are accurate, timely, and appropriate as well as monitoring accomplishment of commitments; managing the Department's interactions with the Inspector General—ensuring that responses to recommendations are timely and appropriate, and facilitating resolution of differences between management and the Inspector General; developing and modifying orders documenting the Department's organizational structures and functions, and for promulgating administrative and management directives having Departmentwide impact; and, coordinating for the Department all recurring reports to Congress.

Some specific activities in addition to ongoing work in support of the above mentioned responsibilities include spearheading the Department's NPR activities—coordinated departmental activities to support the Vice Presidential teams and NPR specific major meetings, trained and coordinated the activities of 15 DOT performance review teams, prepared the Internal DOT report, and tracks progress on the Department's implementation of NPR; developed the plans for the Departmentwide identification and implementation of customer service standards and the 50 percent reduction in internal regulations, provides assistance, and monitors progress; in the process of defining and then implementing an innovative grass-roots Departmentwide program to institutionalize change; and, coordinates activities for the Office of the Assistant Secretary for Administration in support of departmental strategic planning and performance measurement.

ADMINISTRATION—STAFFING

Mr. CARR. Please list all of the 158 positions included in the fiscal year 1995 request under Office of the Assistant Secretary for Administration, showing the title, grade level, and salary.

[The information follows:]

The following list provides the position title, grade and salary as of March 1994. Over the next several months most offices will be undergoing reorganizations to reduce the supervisory ratios, reduce the number of grades 14 and above and streamline functions.

**OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION
POSITIONS BY TITLE, GRADE LEVEL AND SALARY**

Title	Grade	Salary*
IMMEDIATE OFFICE OF THE ASSISTANT SECRETARY		
Assistant Secretary	ES-00/06	120,594
Deputy Assistant Secretary	ES-00/06	120,594
Deputy Assistant Secretary	ES-00/05	116,529
Special Assistant	GM-15	90,252
Budget Analyst	GM-14	76,733
Staff Assistant	GS-12	44,802
Program Assistant	GS-11	40,887
Secretary (Steno)	GS-10	38,276
OFFICE OF PERSONNEL		
Director	ES-00/04	\$111,839
Deputy Director	ES-00/03	\$106,106
Supervisory Personnel Management Spec	GM-15	\$89,674
Supervisory Employee Development Spec	GM-15	\$80,282
Supervisory Personnel Management Spec	GM-15	\$78,682
Supervisory Personnel Management Spec	GM-15	\$89,927
Personnel Management Specialist	GM-15	\$85,830
Personnel Officer	GM-15	\$80,996
Personnel Management Specialist	GM-14	\$74,443
Personnel Management Specialist	GM-14	\$70,833
Personnel Management Specialist	GM-14	\$66,791
Personnel Management Specialist	GM-14	\$64,926
Personnel Systems Specialist	GM-14	\$62,958
Personnel Management Specialist	GM-14	\$70,833
Employee Development Specialist	GM-14	\$70,590
Employee Development Specialist	GM-14	\$68,862
Employee Development Specialist	GM-14	\$66,089
Personnel Management Specialist	GM-14	\$75,875
Personnel Management Specialist	GM-14	\$75,794
Personnel Management Specialist	GM-14	\$72,660
Personnel Management Specialist	GM-14	\$68,862
Management Analyst	GM-14	\$64,926
Labor Relations Specialist	GM-14	\$60,990
Personnel Management Specialist	GM-14	\$72,176
Personnel Management Specialist	GM-14	\$71,435
Personnel Management Specialist	GM-14	\$69,650
Personnel Management Specialist	GM-14	\$64,926
Supervisory Personnel Management Spec	GM-14	\$64,926
Supervisory Personnel Management Spec	GM-14	\$66,457
Personnel Management Specialist	GM-13	\$54,941
Personnel Systems Specialist	GM-13	\$49,947
Employee Development Specialist	GM-13	\$61,248
Supervisory Personnel Management Spec	GM-13	\$53,276
Personnel Management Specialist	GS-12	\$42,003
Personnel Management Specialist	GS-12	\$46,202
Personnel Management Specialist	GS-12	\$46,202
Personnel Management Specialist	GS-12	\$43,402
Personnel Staffing Specialist	GS-12	\$47,602

*Salary as of March 1994

**OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION
POSITIONS BY TITLE, GRADE LEVEL AND SALARY**

Title	Grade	Salary*
Personnel Information Assistant	GS-12	\$47,602
Personnel Management Specialist	GS-09	\$28,964
Staff Assistant	GS-09	\$33,790
Management Assistant	GS-08	33,219
Personnel Assistant	GS-08	\$28,847
Secretary	GS-07	\$28,412
Personnel Assistant	GS-07	\$26,834
Secretary	GS-07	\$26,045
Personnel Assistant	GS-07	\$26,045
Personnel Management Specialist	GS-07	\$23,678
Personnel Clerk	GS-05	\$20,784

OFFICE OF MANAGEMENT PLANNING

Director	ES-00/04	111,839
Management Analyst	GM-15	76,368
Supervisory Management Analyst	GM-15	80,996
Management Analyst	GM-14	76,733
Management Analyst	GM-14	76,733
Management Analyst	GM-14	73,668
Management Analyst	GM-14	64,926
Management Analyst	GM-14	76,733
Management Analyst	GM-14	76,733
Management Analyst	GM-14	64,926
Management Analyst	GM-14	62,958
Management Analyst	GS-12	43,402
Management Analyst	GS-09	28,964
Staff Assistant	GS-09	31,860
Management Assistant	GS-08	33,219
Management Assistant	GS-08	33,219
Management Assistant	GS-08	27,972

OFFICE OF INFORMATION RESOURCE MANAGEMENT

Director	ES-00/04	111,839
Telecommunications Specialist	GM-15	90,252
Supervisory Computer Specialist	GM-15	73,142
Supervisory Computer Specialist	GM-15	79,842
Supervisory Computer Specialist	GM-15	89,048
Supervisory Computer Specialist	GM-15	81,558
Telecommunications Specialist	GM-14	76,733
Telecommunications Specialist	GM-14	68,841
Computer Specialist	GM-14	71,493
Computer Specialist	GM-14	69,570
Computer Specialist	GM-14	55,773
Management Analyst	GM-14	71,490
Computer Specialist	GM-14	73,460
Computer Specialist	GM-14	72,975
Computer Specialist	GM-14	66,891
Computer Specialist	GM-14	66,011
Computer Specialist	GM-14	67,878
Computer Specialist	GM-13	58,270

*Salary as of March 1994

**OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION
POSITIONS BY TITLE, GRADE LEVEL AND SALARY**

Title	Grade	Salary*
Management Analyst	GM-13	53,276
Computer Specialist	GS-12	43,402
Computer Specialist	GS-11	35,045
Computer Specialist	GS-11	35,045
Management Information Specialist	GS-09	35,721
Secretary	GS-08	32,345
Secretary	GS-07	29,201
Secretary	GS-06	25,891
Secretary	GS-06	23,848

OFFICE OF ADMINISTRATIVE SERVICES AND PROPERTY MANAGEMENT

Director	ES-00/04	111,839
Energy Manager	GM-14	72,563
Supply Systems Analyst	GM-14	71,813
Supervisory Realty Specialist	GM-14	68,762
Safety and Occupational Health Manager	GM-14	63,938
Environmental Engineer	GM-14	60,990
Property Services Officer	GM-13	54,941
Realty Specialist	GM-13	49,947
Support Services Specialist	GS-11	42,056
Management Analyst	GS-11	36,214
Budget Analyst	GS-11	35,045
Safety and Occupational Health Specialist	GS-09	31,860
Supply Technician	GS-07	29,201
Inventory Management Specialist	GS-09	28,964
Office Automation Clerk	GS-05	21,395

OFFICE OF HEARINGS

Chief Administrative Law Judge	AL/02/00	114,564
Administrative Law Judge	AL-03/F	108,535
Administrative Law Judge	AL-03/F	108,535
Administrative Law Judge	AL-03/F	108,535
Attorney-Advisor	GM-14	76,733
Attorney-Advisor	GM-14	72,804
Secretary	GS-09	36,686
Secretary	GS-08	34,094
Secretary	GS-08	33,219
Secretary	GS-08	30,596

OFFICE OF ACQUISITION AND GRANT MANAGEMENT

Director	ES-00/04	111,839
Procurement Analyst	GM-15	90,252
Procurement Analyst	GM-15	88,335
Procurement Analyst	GM-15	80,162
Program Analysis Officer	GM-15	84,198
Supervisory Procurement Analyst	GM-15	81,653
Supervisory Procurement Analyst	GM-15	87,942
Supervisory Contract Specialist	GM-15	78,778
Procurement Analyst	GM-14	76,733
Procurement Analyst	GM-14	72,797

*Salary as of March 1994

**OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION
POSITIONS BY TITLE, GRADE LEVEL AND SALARY**

Title	Grade	Salary*
Procurement Analyst	GM-14	71,888
Procurement Analyst	GM-14	68,865
Program Analyst	GM-14	75,423
Program Analyst	GM-14	67,014
Procurement Analyst	GM-14	73,619
Procurement Analyst	GM-14	67,957
Procurement Analyst	GM-14	67,014
Procurement Analyst	GM-14	64,182
Procurement Analyst	GM-14	69,848
Procurement Analyst	GM-14	66,894
Procurement Analyst	GM-14	66,894
Procurement Analyst	GM-14	66,894
Procurement Analyst	GM-14	64,926
Supervisory Contract Specialist	GM-14	64,926
Contract Specialist	GM-13	59,103
Contract Specialist	GS-12	44,802
Staff Assistant	GS-11	42,056
Contract Specialist	GS-09	28,964
Secretary	GS-09	37,651
Secretary	GS-07	29,201
Secretary	GS-07	25,745
Secretary	GS-05	20,173

*Salary as of March 1994

STAFFING COSTS FOR PUBLIC AFFAIRS OFFICE

Mr. CARR. Under the Office of the Director of Public Affairs (p. 30), you are requesting a PC&B increase of \$77,000 applied to 23 FTE staff years. This equates to an average increase per FTE of \$3,350. Based on an average FTE cost of \$56,960, this represents an increase of 6 percent. What is driving up these costs beyond the proposed 1.6 percent pay raise?

[The information follows:]

The increase in the office of public affairs funds base pay increases including an adjustment to fully fund the 23 FTE at the current grade levels.

TRAVEL INCREASES FOR PUBLIC AFFAIRS OFFICE

Mr. CARR. You are requesting an 85 percent increase in travel for the Office of Public Affairs (from \$11,000 to \$24,000). The justification states that the increase is "needed to support the extensive travel by the Secretary", and notes "the practice of flying commercial versus use of Federal Aviation Administration planes increases the cost to this office, but reduces costs to the taxpayer". This does not seem to be borne out by the budget for the immediate Office of the Secretary, which shows no increase in travel for fiscal year 1995. Can you provide a stronger justification for the requested increase?

[The information follows:]

In past years this office has underbudgeted for travel and this budget seeks to recognize the advance work and other travel support required of this office. The request for \$24,000 is consistent with actual travel obligations in prior years for example, actual travel in fiscal year 1991 was \$18,000, in fiscal year 1992 actual travel was \$20,000, and in fiscal year 1993 actual travel was \$28,000.

SATELLITE UPLINKS

Mr. CARR. On page 31, you are requesting a \$15,000 increase to provide satellite uplinks for video news releases, for the production of documentary footage, and for interviews with top departmental officials. Can you provide a more detailed discussion of how these additional funds would be used?

[The information follows:]

We have found that the satellite interview format has been an efficient and useful way for the Secretary to communicate with national and regional media throughout the country. Because of the success in fiscal year 1994, satellite transmissions will become an even more frequent way for the Secretary to communicate with the media. With this anticipated and continued increase, we estimate that the additional \$15,000 will be used for the same purpose on a regular basis in the Office of the Secretary.

IMMEDIATE OFFICE OF THE SECRETARY PAY INCREASES

Mr. CARR. In the immediate Office of the Secretary, you are requesting \$94,000 to fund base pay increases for the 13 staff years provided in fiscal year 1994. That is an increase of over \$7,000 for each staff year. Why are you proposing to pay such a large increase?

[The information follows:]

The increase of \$94,000 would fund base pay increases including an adjustment to reflect current grade levels which are higher than actual grades in fiscal year 1993 which were used as a basis for the fiscal year 1994 budget.

SCIENCE ADVISOR

Mr. CARR. You are also requesting an additional \$116,000 and one new FTE in this office to hire a science advisor. What will be the specific responsibilities of this position, and why is such a senior position required?

[The information follows:]

The Department's Research and Development (R&D) coordinator in previous administrations has been situated in the Research and Special Programs Administration (RSPA) which is one of several operating administrations at DOT. Such a structure did not provide the necessary access to the Secretary and the Deputy Secretary or the authority to provide effective coordination of the R&D efforts in the Department. With the appointment of a Director of Technology Deployment in the immediate Office of the Secretary, greater focus on R&D matters has been placed in the Office of the Secretary. It is envisioned that effective coordination of DOT wide R&D efforts will be accomplished through a Research and Technology Coordinating Council and a Steering Committee. We are also coordinating transportation-related R&D activities in other departments through the Interagency Coordinating Committee for Transportation R&D. These will eliminate duplication of R&D activities and make effective use of R&D resources. The Director of Technology Deployment is also active in promoting technology reinvestment through programs in the Departments of Defense and Commerce. We have already been successful in attracting several hundred million dollars of research which has technological potential for dual use from the DOD Advanced Research Program Agency's (ARPA) Technology Reinvestment Program (TRP). In order to coordinate and promote these activities in technology development, and its eventual deployment to the market place, a senior level position in the Office of the Secretary is essential.

Mr. CARR. Did you consider using a detailee from the Volpe Center, the FAA Technical Center, or other DOT organizations on a reimbursable basis, rather than hiring a new full-time position?

[The information follows:]

Under previous Administrations, the coordination of Research and Development activities in the Department was attempted through an R&D coordinator situated in the Research and Special Programs Administration (RSPA). Operating at an agency level did not achieve effective coordination of priorities. This has resulted in fragmented research as correctly pointed out in the National Performance Review issued in September 1993. Detailees from another agency in DOT would experience the same difficulty in carrying out the tasks effectively. This has necessitated the appointment of the Director of Technology Deployment in the immediate Office of the Secretary to provide a central focal point who has the ready access to the Secretary and Deputy Secretary and the authority to carry out the policies of this Administration. However, the job at hand is not one that can be handled by the Director of Technology Deployment alone. During the past several months, we have been using Senior Executive Service Candidate Development Program detailees from other DOT agencies in the Office of the Secretary to assist the Director of Technology Deployment in carrying out his functions. We have also been using RSPA and Volpe Center staff to support the Director of Technology Development.

RESOURCE INCREASES IN THE OFFICE OF INTERMODALISM

Mr. CARR. The Office of Intermodalism (p. 35) is funded by the Federal Aid Highways obligation limitation, but displayed in the OST budget justifications. You are requesting an overall increase of 62 percent for the Office of Intermodalism in fiscal year 1995 (from \$1,050,000 to \$1,699,000), including a 33 percent increase in staffing. Why is such an increase necessary?

[The information follows:]

The Office of Intermodalism must have sufficient staff to respond to diverse challenges and customer needs. Specifically, these stakeholder concerns include:

Support development of comprehensive intermodal management systems, as required by regulations, through direct contact with Federal, State, and local metropolitan planning organizations in the field.

Identify intermodal transportation service needs through direct interaction with public and private sector transportation providers.

Actively participate in Departmental task forces convened by the Department and national transportation associations to address intermodal transportation policies, programs, and regulations.

Provide technical support to Secretary, OST offices and Departmental Operating Administrations in assessing issues relating to intermodal transportation (R&D, project impact, correspondence, interagency coordinations, etc.).

The Office must also be organized for effective issue identification and response. To provide this support, the Office structure encourages direct interaction and information sharing between its personnel, the States and MPOs. Areas of responsibility for new staff positions are delineated by Federal Standard Regional Boundaries. These employees will become the contacts and resource persons for general activities within their region(s). The regional specialists will be responsible for working on program/project activities and the personal dynamics within their geographic areas. The staff will ensure communication between resource persons in US DOT field offices, State DOTs, cities, MPOs, and major transportation companies. A network for tracking and communicating on intermodal projects would supplement, but not replace, existing capabilities of US DOT.

Mr. CARR. You are requesting an increase from \$75,000 to \$125,000 for the travel costs of this office, which results in a travel budget of \$7,800 per staff year in fiscal year 1995. Why is so much travel needed in this office?

[The information follows:]

Increases in travel expenses for the Office are requested to fund anticipated travel relative to consultation with Federal, State, and local MPO representatives. The Office of Intermodalism will increase its staff from 12 to 16. The Office will be participating substantially in the Secretary's National Transportation System (NTS) initiative and its outreach activities to local communities.

In adopting an office structure based on a regional level assignment system, it will be required that office personnel travel to respective regions to meet with Federal, State, and local MPO representatives to implement intermodal provisions of statewide metropolitan management systems transportation plans.

Finally, the Associate Deputy Secretary/Director, Office of Intermodalism is frequently asked to address national audiences on issues relating to intermodal transportation. In addition, he is often tasked with speaking as surrogate for the Secretary and/or Deputy Secretary.

PRODUCTIVITY IN THE OFFICE OF INTERMODALISM

Mr. CARR. How do you measure the productivity and effectiveness of this office?

[The information follows:]

The Office of Intermodalism has overall responsibility for coordinating the implementation of the Department of Transportation Strategic Plan. Part of the implementation process has included the development of results-oriented milestones and measures of success to track progress on goal accomplishment.

Productivity and effectiveness within the Office of Intermodalism is currently measured by the number of intermodal projects and activities coordinated by the staff. Recognizing that this is not sufficient, the office is currently developing specific measurable goals and objectives for fiscal year 1995; these will be used as direct measures of productivity and effectiveness. While not yet completed, measures such as the extent of outreach accomplished with States and MPOs in each region, the number of intermodal projects approved, and the success of our information-sharing efforts will be included. We will also be conducting "customer surveys" to assess the effectiveness of intermodal activities throughout the country.

In addition, the Office has the responsibility to respond to NTS, approve construction on intermodal projects, and coordinate the implementation of the results of the recommendations of the National Commission on Intermodal Transportation (NCIT).

OFFICE OF INTERMODALISM CONTRACT STUDIES

Mr. CARR. What contract studies are you planning for the Office of Intermodalism in fiscal year 1995, and what is their estimated cost?

[The information follows:]

Consulting services are necessary to study intermodal issues and subjects that will not be addressed by specific modal research plans. Priorities for fiscal year 1995 include:

Assessment/identification of intermodal "Choke Points"—estimated cost: \$160,000, e.g., ground access to airports for both air travel and air freight.

Case studies of integrated freight operations that most closely approximate "door-to-door" service—estimated cost: \$160,000, e.g., reviewing facility design, transfer, drayage, and linehaul equipment and looking at the status of communications and information systems technologies that are being employed to improve productivity of ports, carriers, intermodal operators, third parties, and logistics managers to identify the implementation status and barriers to widespread adoption.

Identification of intermodal terminal characteristics and definition of a process for DOT project prioritization—estimated cost: \$100,000. There is general consensus among transportation entities (DOT Modes, State DOTs, MPOs, private sector) that there needs to be standard criteria developed as to what an intermodal terminal should look like.

Coordination and publication of DOT's intermodal technical assistance projects in a resource document for public dissemination—estimated cost: \$50,000. This will assist the Office of Intermodalism in providing public information and awareness to State DOTs and local MPOs and the private sector. In addition, this will increase awareness of DOT training programs available to the public and private sector.

INCREASED RESOURCES FOR CIVIL RIGHTS

Mr. CARR. On page 39, you are requesting an increase of \$358,000 and five FTEs for the Office of Civil Rights. Can you give us some statistics or examples of instances which pinpoint the inadequacies of this office and highlight the need for additional staffing?

[The information follows:]

Since 1982, the Office of Civil Rights staff has decreased by seven while the workload has increased tremendously.

Further, the Office has new responsibilities and workload flowing from the Americans with Disabilities Act (ADA) and the Executive Order on Federal Actions to Address Environmental Justice for Minority Populations and Low-Income Populations. Under the ADA, the Office should be reviewing and assigning complaints to the appropriate administration for investigation; providing policy guidance to the administrations for investigating and resolving these complaints; and implementing oversight procedures to ensure that complaints are processed correctly.

The Executive Order calls for the development and implementation of an agency-wide environmental justice strategy to ensure that members of minority populations and low-income populations do not suffer disproportionately high and adverse human health or environmental effects of the Federal Government's program policies or activities. Compliance with this mandate requires that the civil rights office work with environmental staff to review existing procedures and revise them as necessary to ensure that they provide the procedural framework to comply with the policy set forth in the Executive Order.

In addition, workload under existing responsibilities continue to grow. For example, under the Disadvantaged Business Enterprise Program (DBE) the Office processes appeals of denials of firms as DBE's by state DOTs. These appeals increased from 173 in 1989 to 225 in 1993. During the same period, external disability complaints increased from 44 to 235 and internal equal employment opportunity complaints increased from 210 to 395.

Mr. CARR. How did you arrive at the need for five additional FTE?

[The information follows:]

For the reasons described above, we would utilize two people to work on internal complaints, two people to work on complaint processing, and one person to work on policy.

RENTAL PAYMENTS

Mr. CARR. Please provide a copy of the letter sent to the House Appropriations Committee by the General Services Administration on February 17, 1994 detailing changes in estimated fiscal year 1995 rental payments, as well as the attachment breaking down those savings attributed to DOT and the related agencies.

[The information follows:]

The letter follows. However, please note that GSA's distribution of the rental rate reductions requires adjustment. GSA applied a portion of the reduction to MARAD; however, it was applied to only field space and did not take into account MARAD's headquarters space.

To reflect MARAD's appropriate share and assign an appropriate share to reflect the reimbursement from the FHWA, LGOE account the following adjustments should be made:

	GSA Distribution	Proposed Revision
MARAD	\$30,676	\$233,393
DOT rental payments	8,383,575	7,618,657
DOT rental payments (reimbursable)		562,201
Total	8,414,251	8,414,251



General Services Administration
Washington, DC 20405

FEB 17 1994

The Honorable Robert C. Byrd
Chairman, Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

I am writing to inform you that the General Services Administration (GSA) has adjusted its fiscal year 1995 rent rates to reduce the overall amount that our customer agencies pay for space and related services by \$207 million. The reduction in our fiscal year 1995 rent rates is a result of modifying GSA's rent system. This modification establishes a rent rate system which adjusts more readily to changes in market conditions for commercial real estate in major cities.

As you know, GSA's Federal Buildings Fund (FBF) is financed by rent income generated from agencies occupying GSA controlled space. Rent charges are set at commercially comparable rates pursuant to statute. However, to respond to the changing market conditions, GSA targeted rent reductions in those areas where GSA rates would potentially exceed or would be near the high end of commercial asking rates in commercial business areas.

Given the time constraints in preparing the President's Budget, the Office of Management and Budget chose to reflect a reduction in fiscal year 1995 revenues to the FBF but no reduction in individual customer agency estimated rent payments to GSA. Instead, the \$207 million reduction was reflected as a reduction to the total President's Budget request to be applied by agency by the Congress. Enclosed you will find the rent reduction amount for each GSA customer agency affected by this modification. Revised rent budget estimates, reflecting these reductions, were provided to customer agencies in December of 1993. The Administration is requesting that the appropriations committees reduce each agency request by the amounts indicated.



-2-

GSA's response to the changing real estate markets by modifying the existing rent system, I believe, more closely reflects prevailing market conditions. With this fiscal year 1995 reduction it is our intent to establish very competitive rates that will encourage our clients to remain in GSA controlled space and fulfill our desire to be the federal government's "provider of choice."

Sincerely,

(Signed) N. L. Potter

Dennis J. Fischer
Chief Financial Officer

Enclosures

cc: The Honorable Dennis DeConcini
Chairman, Subcommittee on Treasury,
Postal Service and General Government
Committee on Appropriations
United States Senate
Washington, DC 20510



SENATE APPROPRIATIONS COMMITTEE						
SUBCOMMITTEE ON COMMERCE, JUSTICE, STATE AND JUDICIARY						
Fiscal Year 1995 Reduction in Rent Payments to GSA						
						FY95 Reduction
COMMISSION ON CIVIL RIGHTS						\$54,300
COMMERCE						\$7,493,005
JUSTICE						\$25,280,184
STATE						\$5,431,823
JUDICIARY						\$13,082,918
U.S. INFORMATION AGENCY						\$1,983,074
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						\$915,880
FEDERAL COMMUNICATIONS COMMISSION						\$648,030
COMMITTEE ON JUDICIAL DISCIPLINE AND REMOVAL						\$5,478
FEDERAL MARITIME COMMISSION						\$131,385
DOT MARITIME ADMINISTRATION						\$30,576
FEDERAL TRADE COMMISSION						\$883,882
INTERNATIONAL TRADE COMMISSION						\$407,880
JAPAN - U.S. FRIENDSHIP COMMISSION						\$2,820
MARINE MAMMAL COMMISSION						\$5,616
SECURITIES AND EXCHANGE COMMISSION						\$127,828
SMALL BUSINESS ADMINISTRATION						\$1,304,176
U.S. TRADE REPRESENTATIVE						\$51,141
TOTAL						\$57,639,247

HOUSE OF REPRESENTATIVES APPROPRIATIONS COMMITTEE						
SUBCOMMITTEE ON TRANSPORTATION						
Fiscal Year 1996 Reduction in Rent Payments to GSA						
						FY 96 Reduction
TRANSPORTATION (EXCEPT MARITIME ADMINISTRATION)						\$8,383,575
PANAMA CANAL COMMISSION						\$5,385
INTERSTATE COMMERCE COMMISSION						\$338,110
ARCHITECTURAL AND TRANSPORTATION BARRIER COMPLIANCE BOARD						\$11,822
NATIONAL TRANSPORTATION SAFETY BOARD						\$250,468
TOTAL						\$8,999,460

GSA RENTAL PAYMENT REDUCTIONS

Mr. CARR. The President's budget requests total DOT funding of \$170,847,000 for GSA rental payments (excluding MARAD). With the reduction of \$8,383,575 proposed by GSA, the revised total would be \$162,463,430. This is less than the \$167,129,000 provided for fiscal year 1994. Did the changes put in place by GSA also affect fiscal year 1994 rental payments, and if not, why not?

[The information follows:]

Fiscal year 1994 rental payments are not affected by the reduction. Starting in FY 1995, new construction of Federal buildings will be funded by GSA through direct appropriations—not through the Federal Buildings Fund. The elimination of new construction from the Federal Buildings Fund now provides an opportunity for GSA to review its rent rate structure and make appropriate adjustments. The reduction in fiscal year 1995 rent rates was accomplished by adjusting them to account for changes in market conditions for commercial real estate in major cities.



General Services Administration
Public Buildings Service
Washington, DC 20405

Rec'd 4-1

1/21/94

The Honorable Jon H. Seymour
Assistant Secretary for Administration
Department of Transportation
Washington, DC 20590

Dear Mr. Seymour:

The purpose of this letter is to inform you of a reduction in Rent rates for fiscal year 1995. The reduction for your organization will be \$8,414,251. Accompanying this letter is the revised fiscal year 1995 Rent budget estimate for your agency in detail.

The General Services Administration (GSA) is embarking upon an ambitious plan to improve and enhance the delivery of essential services in the most cost-effective and efficient manner possible consistent with the recommendations of the National Performance Review.

Starting in fiscal year 1995, new construction of Federal buildings will be funded through direct appropriations--not through the Federal Buildings Fund. The resulting reduction in required funding levels has provided an opportunity for GSA to review its Rent rate structure and make appropriate adjustments.

Under Section 210(j) of the Federal Property and Administrative Services Act of 1949, GSA charges tenant agencies Rent rates which approximate commercial charges for comparable space and services. The GSA Administrator has informed the Office of Management and Budget that the reduction in fiscal year 1995 Rent rates was accomplished by adjusting them to account for changes in market conditions for commercial real estate in major cities.

In order to capture these savings, the President's budget will include a negative allowance for these reductions in Rent rates. Necessary information will be submitted to Congress with the budget, reducing agency budgets by the appropriate amounts to reflect reductions in Rent.



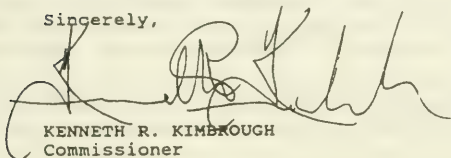
-2-

A small number of individual buildings have previously been granted Rent rate reductions for fiscal year 1994. In some cases, these prior reductions will exceed the citywide reductions discussed here. It is GSA's intention to grant the largest of, but not both of, these reductions in a given building.

If further information is required, please have a member of your staff contact Mr. Robert Tuch, Chief, Rent Branch, Financial Management Division, on (202) 501-1954.

I look forward to an exciting time of change and innovation in the delivery of services, ensuring that GSA competes successfully in the future.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Kenneth R. Kimbrough', written over a horizontal line.

KENNETH R. KIMBROUGH
Commissioner



OFFICE SPACE UTILIZATION

Mr. CARR. In last year's hearing, you estimated 5,690,000 square feet of office space for DOT in fiscal year 1993, including supplemental space (p. 635). However, in the fiscal year 1994 justifications (p. 51), your budget estimate for that year was based on 8,457,000 square feet of space. By comparison, your fiscal year 1995 budget assumes a baseline amount of 9,487,000 square feet. What accounts for the large difference between the amounts in your budget justifications and the amounts shown in the hearing record data?

[The information follows:]

The difference is due in large measure because approximately 2,808,000 square feet of non-office type space is not included in the Office Space Utilization table in the FY 1994 hearing record (p. 635). Non-office type space has never been used to calculate office space utilization. The total FY 1993 budget estimate, however, includes all types of space.

Each year the baseline square footage is adjusted to reflect space acquisitions and reductions which are expected to take place during the year. This assures that full-year funding is provided for all space changes that have occurred in the prior year.

SQUARE FEET COMPARISON

Data as of fiscal year—

	1993	1994	1995
	November 1992	March 1993	December 1993
Baseline		8,498,000	9,463,000
Adjustments to Baseline		(41,000)	24,000
Baseline		8,457,000	9,487,000
Increases		1,006,000	240,000
Total	8,498,000	9,463,000	9,727,000

AIR TRAFFIC CONTROL STUDY

Mr. CARR. It was reported in Aviation Week and Space Technology (2/28/94) that the Department will spend approximately \$700,000 to study and plan for establishment of a federal corporation for air traffic control. Where are these funds included in the budget, and what originally planned work was not accomplished in order to provide funding for this activity?

[The information follows:]

The follow-up activities required to implement the recommendations of the National Aviation Commission and the Vice President's National Performance Review were unbudgeted requirements. FAA funded the study and plan for establishment of a federal corporation for air traffic control by reducing funding for administration travel and other administrative support within its Operations appropriation.

INDIRECT COST RATES

Mr. CARR. According to the National Science Foundation, approximately \$50 million in DOT funds is obligated annually to colleges and universities. Historically, about 50 percent of that amount has been paid for overhead (indirect cost rate) expenses. However, last year OMB capped indirect cost rates at 26 percent of direct costs. To what extent is DOT reflecting budgetary savings in fiscal year 1995 from this change?

[The information follows:]

We currently estimate about \$63 million (excluding overhead) to be obligated to colleges and universities in fiscal year 1995 for research and development. Indirect costs are projected to decline from \$12.3 million in fiscal year 1993 to \$10.2 million in fiscal year 1994 and \$10.7 million in fiscal year 1995.

INTEGRATED PERSONNEL AND PAYROLL SYSTEM

Mr. CARR. Please provide a summary of the status today of development of the Integrated Personnel and Payroll System (IPPS).

[The information follows:]

In developing the plans for IPPS, a commercially available methodology was used to ensure a well-structured development and implementation approach. The plans divided the development and implementation of IPPS into the following five phases to bring new capabilities to the users as early in the development cycle as possible: (1) deployment of the IPPS integrated database and management information reporting; (2) automation of personnel action requests, time and attendance collection, and training processes; (3) development and implementation of personnel management processing; (4) development and implementation of payroll processing; and (5) the addition of a labor distribution capability and personnel/payroll enhancements. The current personnel and payroll systems will interface with completed components of IPPS until they are retired/replaced by IPPS functionality.

To date, we have completed the IPPS Conceptual Design Plan (June 1992); Detailed Design Plan (September 1992); Project Management Plan (May 1993); Analysis of User Requirements (August 1993); Requirements Analysis (November 1993); Data Base Design (December 1993); and are on target for the August 1994 implementation of the IPPS integrated database and management information reporting for system managers.

IPPS ACTIVITIES

Mr. CARR. Please provide a detailed schedule of activities planned for the balance of fiscal year 1994 and for fiscal year 1995.

[The information follows:]

The Department is addressing serious weaknesses in our current personnel and payroll systems through the development of IPPS. During the balance of fiscal year 1994 and for fiscal year 1995, we plan to:

Key activities	Start date	Completion date
Complete IPPS overall systems analysis and design (business, technical and migration design)	4/93	8/94
Complete IPPS database design	4/93	2/94
Complete development and implementation of Phase 1 (deployment of the IPPS integrated database and management information reporting for system managers)	1/94	8/94
Complete development of Phase 2 (personnel requests, time and attendance collection and reporting, training requests and management information reporting for supervisors)	5/94	6/95
Begin development of Phase 3 (personnel processing, including authorized positions, classified positions, personnel processing, SF-50 processing and non SF-50 processing, incentive awards, Civil Rights, performance evaluations, personnel security, mass changes and personnel reporting)	8/94	12/95
Begin development of Phase 4 (developing capability for payroll processing, including payroll calculations, supplemental pay calculations and payroll reporting)	4/95	4/96

IPPS FUNDING

Mr. CARR. How much of the \$6,792,000 of funding requested under "transportation planning, research and development" for IPPS in fiscal year 1995 is for salaries and expenses, and how much is for development contracts or other activities?

[The information follows:]

The fiscal year 1995 budget request of \$6,792,000 will fund \$864,000 in salaries and related personnel expenses, and \$5,928,000 for development contracts. IPPS is being developed through a reimbursable agreement with FAA by a government

staff, augmented by contractor personnel, performing life cycle development steps including requirements analysis, system design, software development, and system implementation. We will use existing contractual vehicles to acquire computer services, work stations, programmers and development methodology support.

IPPS OUTLAY RATES

Mr. CARR. Do you have any data on the actual rate of outlays for this specific program?

[The information follows:]

The outlay rates for fiscal year 1992 to fiscal year 1994 (in thousands) are as follows:

	Appropriation	Fiscal years		
		1992	1993	1994
Fiscal year:				
1992	\$2,270	\$336 (14.8%)	\$1,934 (85.2%)	0
1993	3,668	0	\$2,231 (60.8%)	\$1,437 (39.2%)
1994	6,417	0	0	\$3,901 (60.8%)

The reduced outlay rate in FY 1992 was caused by a delay in project startup due to OMB's requirement that IPPS funding "should not be obligated until a full implementation plan and cost benefit analysis has been approved by OMB."

COMMERCIAL SPACE TRANSPORTATION ADVISORY COMMITTEE

Mr. CARR. Please update the listing of the current membership of the Commercial Space Transportation Advisory Committee (COMSTAC), including titles and funding support, as shown on page 690 of last year's hearing record.

[The information follows:]

The current membership of the Commercial Space Transportation Advisory Committee (COMSTAC) is as follows:

Dr. Joseph P. Allen, IV, President and CEO, Space Industries International, Inc.;

Mr. James Bennett, Director, Weaver Aerospace Corporation;

Dr. Robert E. Berry, President, Space Systems Loral;

Ms. Amy L. Bondurant, Partner, Verner, Liipfert, Bernhard, McPherson, and Hand;

Mr. Milton F. Borkowski, Vice President and General Manager, Westinghouse Electric Corp.

Dr. Mel R. Brashears, Vice President and Assistant General Manager, Lockheed Missiles & Space Co.;

Mr. Thomas D. Burson, Vice President/General Manager, McDonnell Douglas Aerospace;

Ms. Janice B. Carmichael, President, Janice Communications Group;

Mr. Marc T. Constantine, Vice President, National Launch System Program and Project Director, Aerojet Propulsion Division

Mr. Steve Dorfman, President & CEO, Hughes Space and Communications Company;

Mr. Gareth D. Flora, Vice President, Business Development Advance Programs, Martin Marietta Launch Systems;

Mr. Derek E. Fort, Director of Engineering Services, Jackson and Tull;

Mr. Paul Fuller, Vice President, Propulsion Systems, Rocketdyne Division, Rockwell;

Ms. Lori B. Garver, Executive Director, National Space Society;

Mr. Richard L. Grant, Space Station Freedom Program Manager, Boeing Defense and Space Group;

Mr. Frederick Hauck, President & CEO, International Technology Underwriters, Inc.;

Mr. Brian G. R. Hughes, Chief Executive Officer, American Rocket Company;

Mr. Eugene Kadar, President, Conatec Inc.;

Mr. Michael Wash, Chairman, Commercial Launch Services, General Dynamics Corporation;

The Honorable Casey E. Luna, Lt. Governor, State of New Mexico;

Mr. Emmitt J. McHenry, Chairman, President and CEO, Network Solutions, Inc.

Mr. Karl R. Savatier, Market Development Director, AT&T;

Ms. Stephanie M. Schoumacker, Director of Public Affairs, Council on Competitiveness;

Mr. Jerome Simonoff;

Mr. H. Moffette Tharpe, Jr., Group Vice President, Space Products Group, EER Systems, Inc.;

Mr. David Thompson, President and CEO, Orbital Sciences Corporation; and

Mr. James D. A. van Hoften, Senior Vice President & Manager, Bechtel National, Inc. & Advanced Systems Business Line.

For fiscal year 1994, the budget allocation for the COMSTAC is \$2,400, a reduction from previous years that is the result of E. O. 12838, Terminations and Limitations of Federal Advisory Committees.

OCST STAFFING

Mr. CARR. Please update the data on OCST staffing as shown on pages 691-694 of last year's hearing record.
[The information follows:]

<u>JOB TITLES</u>	<u>GRADES</u>	<u>MAJOR RESPONSIBILITIES</u>
Director	ES-4	Encouraging, facilitating and promoting commercial expendable launch vehicle (ELV) activities by U. S. private sector. Principal staff advisor to the Secretary and Deputy Secretary relative to managing and coordinating the licensing of commercial ELV launches and associated services; identifying and analyzing interagency, intra-agency, and international issues affecting commercial ELV activities; developing commercial space transportation policies; preparing, coordinating and reviewing proposed legislation and regulations involving commercial space transportation policy; promoting commercial space activities; and assuring that commercial ELV viewpoints and interests are properly conveyed in policy deliberations within and external to the Department.
Secretary Stenographer (Office Automation)	GS-09	Serving as office manager ensuring that office procedures and practices are followed. Taking and transcribing dictation; making all necessary arrangements for travel, including transportation and hotel reservations, and submitting travel vouchers and reports; processing correspondence; scheduling meetings and conferences; screening telephone calls and visitors; operating office automation equipment; and preparing time and attendance reports.
Admin. Ofcr.	GS-12	Accomplishing the administrative management program of the office that includes personnel management, financial management, space management, office services management, management analyses, procurement management, and travel management.
Senior Advisor	ES-1	Serving as senior advisor to the Office Director recommending or developing policies defining the role of commercial space transportation on the DOT Strategic Plan; Intermodal Strategies; serving on the Interagency Working Group on Transportation Research and Technology Council to obtain inputs for technical improvements to the ELV fleet, and also on the DOT Global Position Satellite (GPS) Steering Committee to ensure applications of GPS are compatible with development of new launch systems that require use of positioning systems; conduct research and analysis of all government agencies that have input to space policy to recommend the most suitable location in the Executive Branch for coordinating space policy issues; and carry-out special projects in a broad-range of policy, program, and/or management issues to achieve departmental goals and objectives.

Supervisory
Transportation
Industry Analyst
(Associate Director
for Commercial Space
Policy and Intl
Affairs Division)

Managing the formulation of federal policies for the Department for commercial space transportation; directing in-depth industry and policy analyses on matters involving commercial aspects of the commercial space launch industry; advising and assisting the Director on the commercial space launch industry; advising and assisting the Director on cost/benefits and consequences of various DOT regulatory and policy actions; preparing briefing materials on them for use by the Secretary and other key officials; maintaining Departmental industry data base which includes information on performance, profitability, markets, competition, and technological innovations to provide a basis for identifying potential industry problems; formulating Federal policies and conducting other activities; performing/overseeing complex analyses on proposed commercial launch regulations, policies, and legislation; and advising appropriate top government officials on any findings, conclusions and authoritative recommendations.

Transportation GM-15
Specialist

Monitoring and assessing international space developments, including policies and programs of foreign governments and international organizations affecting commercialization of U. S. launch vehicles; recommending appropriate policies or actions to the Office Director and/or other interested DOT officials; monitoring and assessing developments in the satellite and communications industries to determine likely impact on the U. S. commercial launch industry; reviewing, analyzing, and evaluating actual and proposed space transportation policies and programs that includes international trade, telecommunications, insurance, remote sensing, materials processing, and R&D for use in legislation, regulations, budget justifications, policy statements, testimony, speeches, etc.; providing liaison with public and private groups on commercial space transportation policies and programs; preparing and delivering speeches to groups interested in commercial space transportation policies and programs; and representing DOT on a variety of interagency groups dealing with commercial space transportation.

Program
Analyst

GM-14 (2) Developing Federal commercial space transportation policies, identifying future space markets and industry trends, and assessing the state of the space transportation industry; and formulating, developing and implementing programs and policies to facilitate, encourage, promote, and regulate commercial space transportation activities by the United States private sector.

Secretary (Office Automation) GS-8 (1) Providing typing support for supervisor and division staff; preparing travel orders and vouchers; receiving, screening and referring telephone calls and office visitors to appropriate staff; receiving and reviewing all correspondence, maintaining records and controls on these items, and assigning to appropriate staff member for handling; and substituting for and assisting the Office Director's secretary, as needed; and assuming the duties and responsibilities of that position in his/her absence.

Supervisory General Engineer (Associate Director for Licensing and Safety Division) GM-15

Responsible for establishing the only Federal program for commercial space transportation and for discharging the Department of Transportation's regulatory responsibilities under the Commercial Space Launch Act, as amended; directing, coordinating, controlling, and ensuring the adequacy of safety regulations, rules and standards; licensing programs; compliance monitoring; inspection, and enforcement program; insurance requirements; and safety and environmental research, which governs the certification and operation of all aspects of U. S. commercial space transportation, including launch vehicles, operation of launch sites, reentry vehicles, and unlicensed payloads.

Operations Research Analyst GM-15 GM-14

Responsible for planning and directing the development and implementation of research efforts in support of identifying safety issues and the necessary regulatory structure by which commercial launch vehicles and launch sites will be licensed and controlled; requires extensive interaction with other government agencies as well as the private sector; and overseeing the implementation and evaluation of safety studies, risk management analyses directed toward establishing requirements and standards to assure the public safety.

Aerospace Engineer GM-14 GM-13 GS-12

Providing technical expertise in the technology and process involved in building satellites and rockets; evaluating, approving and overseeing design data to assure aerospace vehicle systems, components or parts are safe, reliable, operational and in compliance with established safety and regulatory requirements; developing Federal regulations, standards, and policies that pertain to design and certification of aerospace vehicles; monitoring and inspecting commercial launch and site operations and approving licenses for these operations; and representing the Department and the Office of Commercial Space Transportation in high level meetings and conferences.

General Engineer GM-13

(1) Developing technical knowledge and expertise on launch vehicles, the launch process, payloads, launch site operations and other issues of relevance or

significance to commercial space regulation; maintaining close awareness of policy issues and activities either affecting or underlying within the office; developing comprehensive program plan for assigned regulatory areas; identifying future constituency and potential industry demands, research and information needs, and regulations, guidelines, and procedures required to respond to industry; identifying safety issues critical to the licensing and technical efforts of the division; defining the scope of these issues and identifying appropriate means for addressing safety issues in a comprehensive manner; organizing and managing research efforts; identifying contract needs and outside support and taking appropriate action to assure adequate support is in place; managing efforts to establish full capability in division to respond to industry in areas assigned; anticipating problems or barriers to program implementation, and developing solutions or alternative courses of action; working to create a measurable difference between division capability at beginning of year vs. year end; responding to deadlines and time requirements in an effective, efficient manner; and assuring that products are of high-quality and achieve the desired affects.

Special Assistant for External Affairs
(Associate Director for Program Affairs Division) GM-15

Carrying-out special controversial or sensitive studies of a non-recurring or overlapping nature concerning matters of particular personal concern to the Director; overseeing staff performance in carrying-out tasks, responsibilities, and policy determining matters to the division; initiating and representing the Director in meetings with the House and Senate staffs on technical space transportation issues; formulating and coordinating preparation of testimony and other material for hearings on issues involving implementation of the Commercial Space Launch Act, as amended; developing, organizing and implementing public education program and policy initiatives to promote support for a commercial space transportation industry; scheduling and supporting the Director in meetings with Federal, State and local government agencies, as well as with private organizations and industries concerned with specific areas of commercial launch activity; providing executive direction to the Commercial Space Transportation Advisory Committee (COMSTAC) which advises and assists DOT in performing its lead agency policy-determining responsibilities; and acting as primary contact with industry trade press, journals and industry public relations concerning the technical elements of commercial space transportation activities.

Program Management GM-14

Participating in a broad range of policymaking and review activities, taking the lead in establishing and maintaining liaison with other officials and

Specialist

agencies within the Congress, Executive Branch, and senior officials of industry in support of the mission of the office; accomplishing legislative and regulatory research of issues specific to commercial space transportation; primary coordinator of COMSTAC with responsibility for formulating issues to be discussed, documenting key decisions made and actions required, providing follow-up action on important issues while ensuring continued membership of COMSTAC; scheduling and managing the logistics for semiannual meetings, conferences, and exhibits as well as serving as a primary speaker before such groups in the promotion of DOT's commercial space transportation program; and serving as DOT spokesperson on behalf of the office.

COMMERCIAL SPACE TRANSPORTATION STUDIES

Mr. CARR. Please update the listing and cost data for OCST studies, as shown on pages 696-698 of last year's hearing record, by providing data for fiscal years 1993 through 1995.

[The information follows:]

OCST STUDIES

Contractor	Description	Cost (in dollars)
<u>Fiscal Year 1994</u> (Studies initiated or to be initiated)		
Kaman	Support evaluation of safety issues involving commercial activities in space and reentry dynamics	\$390,000
RTI	Support evaluation of safety issues involving launch safety, COMET vehicle safety and commercial launch site operations	\$450,000
ICF	Support assessment of risk and risk management issues in support of safety evaluations and regulatory issues	\$425,000
Dimensions International	Provide engineering assessment support	\$200,000
Aepco	Support assessment of environmental issues and preparation and review of required environmental studies/documents	\$127,000
Futron	Technical support including maximum probable loss analyses, license and compliance monitoring tracking system, database maintenance	\$700,000
CTI	Economic analysis for the development of commercial space transportation policy	\$250,000
Misc.	Program Support	\$ 80,000
Admin.	Small Business Innovative Research (SBIR)	\$ 75,000
Misc.	Computers, system development and support	\$196,000

Fiscal Year 1995 (Studies to be initiated)

To be determined	Licensing operations	\$925,000
To be determined	Launch system approvals	\$500,000
To be determined	Launch site assessments	\$250,000
To be determined	Inspections and enforcement	\$185,000
To be determined	Accident/incident investigation support	\$ 65,000
To be determined	Information systems	\$260,000
To be determined	Safety operations, procedures and practices	\$750,000
To be determined	Environmental issues	\$225,000
To be determined	Orbital safety	\$450,000
To be determined	Domestic industry policy	\$400,000
To be determined	Regulatory Impact analysis	\$100,000
To be determined	Support for development and implementation of international launch service trade accords.	\$150,000
Misc.	Program Support	\$ 78,000

COMMERCIAL SPACE TRANSPORTATION CONTRACTS

Mr. CARR. Please update the data on commercial space contracts, as shown on pages 700 through 704 of last year's hearing record, by updating 1993 and 1994 and adding 1995 estimates.
[The information follows:]

Much of the contract work consists of technical support of on-going regulatory issues, inspections, and enforcement activities. The expiration dates shown are for the contracts. Individual studies are conducted under these contracts, which are set up with option years with funds obligated each year based on the budget authorization.

Contractor	Purpose/work product	Contractor Expiration Date	FY Cost
<u>1993</u>			
Kaman	Support evaluation of safety issues involving commercial activities in space	1995	\$336,916
RTI	Support evaluation of safety issues involving launch and commercial launch site operations	1995	\$368,850
ICF	Support assessment of risk and risk management issues in support of safety evaluations and regulatory issues	1995	\$440,678
Peer	Environment impact support	1994	\$ 34,475
Dimensions International	Provide engineering assessment support	1995	\$ 61,488
Aepco	Support assessment of environmental issues and preparation and review of required environmental studies/documents	1996	\$ 29,971
Futron	Technical support including maximum probable loss analyses, license and compliance monitoring tracking system, database maintenance	1996	\$528,088
TCC	Computer system development and support	1993	\$ 99,377

CTI	Economic analysis for the development of commercial space transportation policy	1994	\$382,686
Misc.	Computer parts	1993	\$ 35,714
Misc.	Program support, training	1993	\$ 38,685
SBIR	Small Business Innovative Research (SBIR)	1994	\$ 58,863
McManis	Workload study	1993	\$100,279
Mitre	Independent assessment of OCST's payload determination for COMET	1993	\$ 60,000

1994

Kaman	Support evaluation of safety issues involving commercial activities in space and reentry dynamics	1995	\$390,000
RTI	Support evaluation of safety issues involving launch safety, COMET vehicle safety and commercial launch site operations	1995	\$450,000
ICF	Support assessment of risk and risk management issues in support of safety evaluations and regulatory issues	1995	\$425,000
Dimensions International	Provide engineering assessment support	1997	\$200,000
Aepco	Support assessment of environmental issues and preparation and review of required environmental studies/documents	1996	\$127,000
Futron	Technical support including maximum probable loss analyses, license and compliance monitoring tracking system, database maintenance, developing licensing methodology for applicants	1996	\$700,000

CTI	Economic analysis for the development of commercial space transportation policy	1994	\$250,000
Misc.	Program support, training	N/A	\$ 80,000
Admin.	Small Business Innovative Research (SBIR)	1993	\$ 75,863
Misc.	Computers, system development and support	N/A	\$196,000

1995

Kaman	Support evaluation of safety issues involving commercial activities in space and reentry dynamics	1995	\$500,000
RTI	Support evaluation of safety issues involving launch safety, COMET vehicle safety and commercial launch site operations	1995	\$550,000
ICF	Support assessment of risk and risk management issues in support of safety evaluations and regulatory issues	1995	\$500,000
Dimensions International	Provide engineering assessment support	1997	\$250,000
Aepco	Support assessment of environmental issues and preparation and review of required environmental studies/documents	1996	\$150,000
Futron	Technical support including maximum probable loss analyses, license and compliance monitoring tracking system, database maintenance, developing licensing methodology for applicants	1996	\$750,000
Misc.	Software acquisition and development	N/A	\$150,000

To be determined	Domestic policy analysis, including market forecasts, economic impacts of excess missile assets, assessment of commercial applications of vehicle technologies, and evaluation of infrastructure needs and priorities.	1995	\$400,000
To be determined	Regulatory impact analysis	1995	\$100,000
To be determined	Support for development and implementation of international launch service trade accords	1995	\$150,000
Misc.	Program Support	N/A	\$ 78,000
Admin.	Small Business Innovative Research (SBIR)	1995	\$ 75,000
Misc.	Computers, system development and support	N/A	\$200,000

COMMERCIAL SPACE LAUNCHES

Mr. CARR. Please list the commercial space launches which have occurred thus far in fiscal year 1994 and the estimated schedule for the remainder of the year, similar to the data found on page 705 of last year's hearing record.

[The information follows:]

Shown below are the commercial launches that have occurred in FY 1994 through April 15, 1994:

McDonnell Douglas launch of a Delta rocket carrying a NATO communications satellite (NATO IVB) on December 7, 1993;

General Dynamics launch of an Atlas rocket carrying an AT&T communications satellite (TELSTAR 401) on December 15, 1993; and

McDonnell Douglas launch of a Delta rocket carrying a Hughes communications satellite (GALAXY 1R) on February 19, 1994.

The following are activities currently shown for the remainder of 1994 on the U.S. Commercial Space Transportation Manifest, March 22, 1994:

EER Systems launch of Conestoga rocket carrying a COMET reentry vehicle containing microgravity experiments;

Space Industries, Inc. reentry of the COMET reentry vehicle;

General Dynamics launch of an Atlas rocket carrying a U.S. Navy communications satellite (UHF 3);

Orbital Sciences launch of a Pegasus rocket carrying a U.S. Navy remote sensing satellite (SEASTAR);

General Dynamics launch of an Atlas rocket carrying a Hughes communications satellite (Hughes Direct);

Orbital Sciences launch of a Pegasus rocket carrying a communications satellite (ORB COMM);

General Dynamics launch of an Atlas rocket carrying an international communications satellite (INTELSAT VI 703);

General Dynamics launch of an Atlas rocket carrying a U.S. communications satellite (ORION 1);

General Dynamics launch of an Atlas rocket carrying an international communications satellite (INTELSAT VI 704);

General Dynamics launch of an Atlas rocket carrying a U.S. Navy communications satellite (EHF 4);

McDonnell Douglas launch of a Delta rocket carrying a U.S. Strategic Defense Initiative Organization experimental satellite (MSX), and

General Dynamics launch of an Atlas rocket carrying a U.S. mobile communications satellite (AMSC MSAT).

ORBITAL LAUNCH FEES

Mr. CARR. Please update the orbital launch fee schedule shown on pages 705-706 of last year's hearing record.
[The information follows:]

Currently, there are no launch fees being collected.

The Department established commercial space launch user fees late in FY 1991, collecting \$203,175 in user fees during FY 1992. The Department was specifically prohibited, in amendments to the Commercial Space Launch Act, as amended, (CSLA) contained in the 1993 NASA Authorization Act, from collecting any commercial space launch user fees unless authorized by the CSLA. User fees are assumed in the FY 1994 DOT Appropriations Act and included in the FY 1995 budget request. The Department will propose amendments to the Commercial Space Launch Act to authorize the Department to collect user fees and credit up to \$200,000 in collected fees to the appropriation for the Office of Commercial Space Transportation in FY 1995 and FY 1996. The fees would be established through rulemaking. We do not expect to have the rulemaking in place during FY 1994.

When commercial space launch user fees were in place under the Commercial Space Transportation Licensing Regulations, it was required that all license applications be accompanied by a fixed \$2,500 license application fee. Licensees were required to pay an annual \$2,500 license renewal fee, if applicable, and a launch fee.

Orbital launch fees were assessed at the rate of \$2.50 per pound of the maximum payload lift capability of the launch vehicle as determined in accordance with parameters provided in the regulations. Sub-orbital launch fees were fixed at \$1,000 per launch. The following table shows launch fees for selected vehicles.

Orbital launch fee schedule for selected vehicles
as established in FY 1991

Vehicle:	Launch fee
Delta 6920/6925.....	\$21,325
Delta 7920/7925.....	\$27,075
Atlas I.....	\$30,800
Atlas II.....	\$34,550
Atlas IIA.....	\$36,875
Atlas IIAS.....	\$45,450
Titan III.....	\$72,000

The relatively low application and renewal fees allowed a company to apply for a license with little financial risk. Fixing the launch fee for a suborbital launch at \$1,000 and basing the fee for an orbital launch on payload lift capacity ensured that fees were a small fraction of the total cost of the launch. If authorized, launch fees would be established with the goal of not causing any undue burden on the industry.

COMMERCIAL SPACE LAUNCH READINESS REVIEWS

Mr. CARR. In its report on the February 9, 1993 launch anomaly of a Pegasus rocket off Cape Canaveral, the National Transportation Safety Board concluded that the dress rehearsal for the launch had been improperly conducted. As a result, they recommended that OCST establish minimum requirements for commercial space launch readiness reviews and launch rehearsals, and make those requirements mandatory by putting them in a license order adjunct to a commercial launch license.

Does the Department agree with the Safety Board's recommendation?

[The information follows:]

The National Transportation Safety Board (NTSB) recommended that, as a condition for a license, " * * * the company applying a license include in its application specific details and criteria for launch readiness reviews and launch dress rehearsals." Through the licensing process, applicants are required to demonstrate their capability to conduct safe launch operations. In light of the apparent deficiencies found by the NTSB in the launch readiness review process and rehearsal for the Pegasus/SCD-1 launch, OCST is evaluating whether to require that a launch license applicant provide more specific details and criteria for launch readiness reviews and dress rehearsals and incorporate them as conditions of a license.

MANDATORY REST PERIODS

Mr. CARR. They also recommended that mandatory rest periods be instituted prior to launch for key participants. Is the Department in agreement with this recommendation?

[The information follows:]

OCST agrees that it is important for ensuring safety that launch personnel have adequate rest. Launch personnel often work many hours prior to launches, and the time of day in which critical safety and launch operations are conducted is often dependent on factors beyond the control of the launch team, such as factors dictated by orbital mechanics. An applicant's personnel requirements, which may include provisions for rest, have always been reviewed by OCST. OCST is studying the need to explicitly require as a condition for a license a provision for mandatory rest periods before launch for key participants that provide for an adequate and specified time period of uninterrupted sleep. If it is determined that such a condition is necessary, quantitative criteria for such rest periods will be developed by appropriate human performance experts to ensure suitability to the assigned tasks.

OCST-PROGRAM INCREASES

Mr. CARR. You are requesting a 39 percent increase in this program for fiscal year 1995 (from \$4,700,000 to \$6,541,000). What statistics can you provide to show the rising workload?

[The information follows:]

The Office devotes the largest portion of its resources to ensuring public safety through its regulatory program. In response to industry requirements, OCST is strengthening its technical expertise in the safety regulatory area. All 3 positions approved in FY 1994 and 5 of the 6 additional positions requested for FY 1995 will be dedicated to this area, and will be filled with experienced technical experts so OCST will not have to rely almost exclusively on contractor support for specialized technical expertise.

Despite the increase in its workload, the Office of Commercial Space Transportation has had the same personnel level from 1991 into 1994 and little growth in contract resources. A report by the National Academy of Public Administration (NAPA) recommended that OCST perform a work measurement study to determine staffing requirements. The recommended study, completed by an independent management consultant in October 1993, concluded that the regulatory function of OCST alone will require an average technical staff per year for FY 1994 through FY 1996 ranging from 17.7 to 22.3, depending upon assumptions concerning the likelihood of anticipated licensing and regulatory actions. The Office's Licensing and Safety Division will have a professional staff of 11 (including the FY 1994 increase of three) in this area. The addition of 5 professional staff in FY 1995 would raise the staff level to 16, still below the minimum indicated by the study. The workload estimates used conservative assumptions concerning the likelihood of various initiatives resulting in license applications. For example, emerging initiatives such as McDonnell Douglas' Delta Clipper (single-stage-to-orbit vehicle) and launches of constellations of low earth orbit communication satellites were not included. No allowance for unforeseen work was made.

At the same time, OCST is examining its regulatory approach to ensure that it does not impose unnecessary requirements on the industry. In recent years, OCST has not had the resources to deal with broader conceptual issues before having to face specific technical issues relative to a particular license application. This deficiency has frustrated the industry in attempts to introduce new space transportation vehicles. The Department could be criticized for being unprepared to provide guidance necessary for prospective commercial operators to plan facilities and operating procedures and satisfy licensing requirements.

Licensing and conducting the requisite environmental reviews of launch sites located in Alaska and New Mexico will consume major resources in FY 1995. The site licensing process would require OCST, as the lead federal agency, to evaluate approved commercial launch sites for environmental impacts. OCST will also need to develop the requirements for hardware, personnel, and procedures necessary to provide safety at facilities without an existing Government presence to provide range safety, including flight termination support, tracking, and general safety oversight.

Meanwhile, OCST continues to receive applications for launch licenses from companies entering the commercial launch business with new vehicles, such as Lockheed's LLV-1,2, and 3, built from

existing components.

OCST continues to support the U.S. Trade Representative in negotiations and monitors compliance with space launch trade agreements with the People's Republic of China and the Russian Federation. OCST plans research concerning the commercial feasibility of improvements to the existing expendable launch vehicle fleet and the Department will provide strategic R&D budget guidance across government agencies through its position on the National Science and Technology Council Interagency Coordinating Committee on Transportation Research and Development. OCST will participate in efforts to enhance and expand launch infrastructure through the Office of Science and Technology Policy's Interagency Working Group on Space Transportation, the National Facilities Study, and the Department of Defense Space Modernization Plan under General Moorman, and the Air Force's Dual-Use Space Launch Infrastructure Grant Program or comparable programs. OCST has requested a new policy analyst position in FY 1995 to help support these activities.

OCST has increasingly added technical personnel to its staff. Because OCST is a regulatory, not a design or operational organization, it would not be practical to maintain individuals with current hands-on experience across all required specialized technical areas. Contractor support has shifted away from broad support for developing a regulatory and policy program to the more focused approach of specific technical support for licensing initiatives and research. These efforts require more specialized expertise than can practically be obtained from an in-house staff, however technically qualified. (It should be noted that even large government agencies such as the Air Force and NASA rely extensively on contractor support in highly technical areas.) By way of example, OCST used contractor support for dispersion analyses necessary to evaluate the safety of the first commercial reentry vehicle system. New and innovative technologies and the need to address emerging and often unique issues will require specialized technical support which can best be provided through the efficient and effective use of contractors highly qualified in the required disciplines. Expertise in space vehicle attitude control, for example, is expensive and can be obtained only from individuals who actually design such systems. The requested staff increase will permit OCST to focus its contract efforts on technical assessments of specific elements of a particular license application, longer-term research to support the regulatory guidance sought by the industry, and issues related to improving the competitiveness of the U.S. commercial space transportation industry.

OCST will implement recommendations of the National Performance Review. OCST will regulate launches and services, only to the extent necessary, in order to ensure compliance with international obligations of the United States and to protect the public health and safety, safety of property, and national security and foreign policy interests of the United States.

OCST UNOBLIGATED BALANCES

Mr. CARR. On page 75, you are showing an unobligated balance of \$301,000 in the OCST appropriation at the start of fiscal year 1993 and an estimated balance of \$401,000 at the end of fiscal year 1993. Why is there an unobligated balance?

[The information follows:]

The unobligated balance of \$301,000 in the OCST appropriation at the end of fiscal year 1993 resulted from a prior year carryover of contract funds. The President's fiscal year 1995 budget request does not assume that there will be an unobligated balance at the end of fiscal year 1994. Delays in executing contracts contributed to the unobligated balance at end of fiscal year 1993.

OCST TRAVEL

Mr. CARR. On page 79, you are requesting \$125,000 for the travel of this office, which is a 56 percent increase over fiscal year 1994 and double the amount provided only two years previously. Why is such an increase needed?

[The information follows:]

Travel costs for the Office in fiscal year 1992 totalled \$99,000. In fiscal year 1993, the absence of a Director for the office, delays in international trade negotiations, and the workload demand forcing the staff to avoid travel in all but the most essential circumstances combined to hold travel costs to approximately \$63,000. In fiscal year 1994, the Office expects travel costs to be close to the enacted level of \$80,000. Which the addition of 3 staff in fiscal year 1994 and the request for a increase in staff of 6 for fiscal year 1995, part of the increase is to provide travel funds for new staff. The office needs to travel to monitor compliance with licenses; assess the safety and environmental issues regarding proposed commercial launch sites; support international trade negotiations; monitor compliance with the space launch trade agreements with the People's Republic of China and the Russian Federation; promote improvements to launch infrastructure and existing expendable launch vehicle fleet; and demonstrate U.S. government support for the commercial launch industry. The emergence of commercial launch sites where there is no existing Air Force presence to provide range safety and safety oversight will place a greater regulatory burden on the Office and increase the need for travel to these sites in order to perform the assessments necessary to establish site specific safety requirements.

OCST-STAFF INCREASES

Mr. CARR. Please provide a listing of the six additional full time positions requested for the Office of Commercial Space Transportation in fiscal year 1995, including the job title, grade level, salary, and a summary description of the job responsibilities.

[The information follows:]

5 Aerospace Engineers, GS-13 (1); GS-12 (2); GS-11 (1); GS-9 (1), \$34,835-\$59,022.

Providing technical expertise in the technology and process involved in building satellites and rockets; evaluating, approving and overseeing design data to assure aerospace vehicle systems, components or parts are safe, reliable, operational and in compliance with established safety and regulatory requirements; developing Federal regulations, standards, and policies that pertain to design and certification of aerospace vehicles; monitoring and inspecting commercial launch and site operations and approving licenses for these operations; and representing the Department and the Office of Commercial Space Transportation in high level meetings and conferences.

1 Policy Analyst, GS-9 (1), \$28,964.

Performing special studies and analyses on selected projects involving international trade, foreign policy, national security, policy development or analyses for promoting the commercial space transportation industry. Serves as representative in interagency task groups; identify national goals and objectives, policy issues and options, and program strategies and guidelines for the commercialization of U.S. launch vehicles. Monitors activities of other government agencies, private industry,

foreign governments, and international organizations to determine impact on the commercialization of space transportation.

PAYMENTS TO AIR CARRIERS OBLIGATIONS

Mr. CARR. Please update the current unobligated balance in the payments to air carriers program and provide an estimate of monthly obligations, as shown on page 618 of last year's hearing record.

[The information follows:]

The unobligated balance as of March 31, 1994, for Payments to Air Carriers under the Essential Air Service program is \$2,958,450. Estimated obligations by month follow:

<i>Obligations</i>	<i>Millions</i>
Month:	
April	\$0.0
May	0.4
June	0.5
July	0.5
August	0.5
September	1.0

ESSENTIAL AIR SERVICE SUBSIDIES

Mr. CARR. Please provide a breakdown of fiscal year 1994 funding for the payments to air carriers program, similar in format to the data shown on pages 619-624 of last year's hearing record.

[The information follows:]

SUBSIDIZED ESSENTIAL AIR SERVICE (EAS) FOR FY 1994

<u>States/ Communities</u>	<u>Estimated Mileage to Nearest Hub (S.M. or L)</u>	<u>Average Daily Enplanements at EAS Point (CY 1993)</u>	<u>Annual Subsidy Rate as of 4/1/94</u>	<u>Subsidy Per Passenger</u>
ALABAMA				
Anniston	61	10.6	\$364,843	\$55.21
Muscle Shoals	57	7.9	\$364,843	\$74.17
Tuscaloosa	61	9.7	\$364,843	\$60.35
ARIZONA				
Kingman	103	10.5	\$193,600	\$29.58
Page	274	18.8	\$372,101	\$31.67
Prescott	103	37.2	\$193,600	\$8.31
ARKANSAS				
El Dorado/Camden	108	10.4	\$850,472	\$130.76
Harrison	139	10.8	\$756,491	\$111.69
Hot Springs	54	13.2	\$756,491	\$91.56
Jonesboro	71	12.0	\$566,982	\$75.23
CALIFORNIA				
Crescent City	233	13.8	\$298,868	\$34.70
Merced	64	22.7	\$547,289	\$38.48
Santa Maria	155	21.9	\$196,737	\$28.66
Visalia	40	37.1	\$211,799	\$18.20
COLORADO				
Alamosa	164	25.4	\$100,583	\$6.32
Cortez	253	26.8	\$100,583	\$6.00
Lamar	162	3.7	\$175,588	\$76.01
HAWAII				
Kamuela	39	5.7	\$248,491	\$69.37
ILLINOIS				
Danville	90	3.0	\$301,743	\$161.71
Mattoon/Charleston	146	4.3	\$301,743	\$112.34
Mt. Vernon	93	8.1	\$301,743	\$59.22
IOWA				
Ottumwa	92	5.8	\$344,850	\$95.37
KANSAS				
Dodge City	156	11.1	\$297,773	\$42.94
Garden City	209	19.8	\$297,773	\$24.05
Goodland	190	3.3	\$175,588	\$86.24
Great Bend	116	4.2	\$175,588	\$66.04
Hays	175	16.1	\$297,773	\$29.48
Liberal/Guymon	162	9.7	\$175,588	\$29.00
Topeka	76	34.8	\$108,724	\$4.99

SUBSIDIZED ESSENTIAL AIR SERVICE (EAS) FOR FY 1994

<u>States/ Communities</u>	<u>Estimated Mileage to Nearest Hub (S.M. or L)</u>	<u>Average Daily Enplanements at EAS Point (CY 1993)</u>	<u>Annual Subsidy Rate as of 4/1/94</u>	<u>Subsidy Per Passenger</u>
MAINE				
Bar Harbor	164	15.7	\$566,172	\$57.70
Rockland	79	9.8	\$566,172	\$92.62
MASSACHUSETTS				
Hyannis	71	15.9	\$175,442	\$17.58
MINNESOTA				
Fairmont	153	4.1	\$191,497	\$74.69
Fergus Falls	185	11.1	\$316,653	\$45.50
Mankato	75	3.7	\$191,497	\$82.22
Worthington	65	2.3	\$191,497	\$131.70
MISSISSIPPI				
Laurel/Hattiesburg	96	4.5	\$364,843	\$128.51
MISSOURI				
Cape Girardeau	133	17.1	\$255,903	\$23.86
Ft. Leonard Wood	130	14.2	\$257,287	\$28.92
Kirksville	158	7.7	\$412,349	\$85.85
MONTANA				
Glasgow	279	6.5	\$370,383	\$90.43
Glendive	223	2.9	\$585,757	\$318.87
Havre	251	4.2	\$500,349	\$189.53
Lewistown	129	3.5	\$500,349	\$227.95
Miles City	145	3.0	\$585,757	\$312.74
Sidney	273	6.6	\$585,757	\$142.59
Wolf Point	295	5.6	\$370,383	\$105.49
NEBRASKA				
Alliance	242	2.6	\$242,694	\$148.26
Chadron	301	2.5	\$242,694	\$153.51
Hastings	160	2.9	\$140,519	\$77.98
Kearney	186	10.3	\$620,021	\$96.43
McCook	259	3.8	\$479,502	\$203.01
North Platte	282	5.6	\$348,231	\$99.10
Scottsbluff	202	8.5	\$348,231	\$65.60
NEVADA				
Ely	236	5.7	\$727,082	\$203.66
NEW HAMPSHIRE				
Keene	56	4.7 1/	\$626,812	\$215.10
NEW JERSEY				
Trenton	72	15.3	\$506,438	\$53.02

SUBSIDIZED ESSENTIAL AIR SERVICE (EAS) FOR FY 1994

<u>States/ Communities</u>	<u>Estimated Mileage to Nearest Hub (S.M. or L)</u>	<u>Average Daily Enplanements at EAS Point (CY 1993)</u>	<u>Annual Subsidy Rate as of 4/1/94</u>	<u>Subsidy Per Passenger</u>
NEW MEXICO				
Alamogordo/ Holloman AFB	92	10.9	\$383,859	\$56.09
Clovis	106	13.3	\$517,996	\$62.26
Silver City/ Hurley/ Deming	163	9.5	\$85,690	\$14.36
NEW YORK				
Massena	149	20.2	\$283,619	\$22.46
Ogdensburg	127	9.6	\$283,619	\$47.22
Watertown	69	19.8	\$283,619	\$22.84
NORTH DAKOTA				
Devils Lake	403	12.6	\$316,905	\$40.14
Dickinson	313	5.8 1/	\$217,727	\$60.01
Jamestown	304	11.1	\$80,246	\$11.54
Williston	324	16.0	\$203,246	\$20.36
OKLAHOMA				
Enid	91	7.3	\$415,756	\$91.35
Ponca City	88	12.3	\$415,756	\$53.81
PENNSYLVANIA				
Oil City/Franklin	91	31.1	\$216,119	\$11.09
PUERTO RICO				
Ponce	80	30.0	\$325,247	\$17.31
SOUTH DAKOTA				
Brookings	58	3.1	\$328,204	\$166.69
Mitchell	72	2.5	\$328,204	\$211.34
Yankton	96	10.7	\$425,711	\$63.27
TEXAS				
Brownwood	153	4.9	\$401,179	\$130.63
UTAH				
Cedar City	257	18.3	\$503,354	\$43.84
Moab	241	5.2	\$462,194	\$142.26
Vernal	171	14.2	\$305,311	\$34.39
VERMONT				
Rutland	67	5.9 1/	\$626,812	\$169.04
VIRGINIA				
Danville	68	14.1	\$315,504	\$35.71
Staunton	108	39.7	\$110,879	\$4.46

SUBSIDIZED ESSENTIAL AIR SERVICE (EAS) FOR FY 1994

<u>States/ Communities</u>	<u>Estimated Mileage to Nearest Hub (S,M, or L)</u>	<u>Average Daily Enplanements at EAS Point (CY 1993)</u>	<u>Annual Subsidy Rate as of 4/1/94</u>	<u>Subsidy Per Passenger</u>
WASHINGTON				
Ephrata/Moses Lake	122	16.2	\$326,875	\$16.14
WEST VIRGINIA				
Beckley	186	21.3	\$245,359	\$18.42
Clarksburg/Fairmont	107	8.4	\$259,689	\$49.35
Morgantown	75	11.1	\$259,689	\$37.28
Princeton/Bluefield	145	21.8	\$245,359	\$18.00
WYOMING				
Laramie	131	28.2	\$100,583	\$5.70
Worland	164	8.8	\$100,583	\$18.19

1/ Calculated on less than a full year's passenger data annualized.

PROJECTED EAS SUBSIDIES IN FISCAL YEAR 1995

Mr. CARR. Please provide a similar chart for estimated fiscal year 1995 payments.

[The information follows:]

PROJECTED SUBSIDIZED ESSENTIAL AIR SERVICE (EAS) FOR FY 1995

<u>States/ Communities</u>	<u>Estimated Mileage to Nearest Hub (S, M, or L)</u>	<u>Average Daily Enplanements at EAS Point (CY 1993)</u>	<u>Annual Subsidy Rate projected for FY 1995</u>	<u>Subsidy Per Passenger</u>
ARIZONA				
Kingman	103	10.5	\$193,600	\$29.58
Page	274	18.8	\$258,675	\$22.01
Prescott	103	37.2	\$193,600	\$8.31
ARKANSAS				
El Dorado/Camden	108	10.4	\$850,472	\$130.76
Harrison	139	10.8	\$756,491	\$111.69
Jonesboro	71	12.0	\$566,982	\$75.23
CALIFORNIA				
Crescent City	233	13.8	\$298,868	\$34.70
Santa Maria	155	21.9	\$196,737	\$28.66
COLORADO				
Alamosa	164	25.4	\$100,583	\$6.32
Cortez	253	26.8	\$100,583	\$6.00
Lamar	162	3.7	\$175,588	\$76.01
HAWAII				
Kamuela	39	5.7	\$248,491	\$69.37
ILLINOIS				
Danville	90	3.0	\$386,666	\$207.22
Mattoon/Charleston	146	4.3	\$386,666	\$143.96
Mt. Vernon	93	8.1	\$386,666	\$75.89
IOWA				
Ottumwa	92	5.8	\$344,850	\$95.37
KANSAS				
Dodge City	156	11.1	\$297,773	\$42.94
Garden City	209	19.8	\$297,773	\$24.05
Goodland	190	3.3	\$175,588	\$86.24
Great Bend	116	4.2	\$175,588	\$66.04
Hays	175	16.1	\$297,773	\$29.48
Liberal/Guymon	162	9.7	\$175,588	\$29.00
Topeka	76	34.8	\$108,724	\$4.99
MAINE				
Bar Harbor	164	15.7	\$566,172	\$57.70
Rockland	79	9.8	\$566,172	\$92.62
MINNESOTA				
Fairmont	153	4.1	\$191,688	\$74.76
Fergus Falls	185	11.1	\$237,490	\$34.12
Mankato	75	3.7	\$191,688	\$82.30

PROJECTED SUBSIDIZED ESSENTIAL AIR SERVICE (EAS) FOR FY 1995

<u>States/ Communities</u>	<u>Estimated Mileage to Nearest Hub (S, M, or L)</u>	<u>Average Daily Enplanements at EAS Point (CY 1993)</u>	<u>Annual Subsidy Rate projected for FY 1995</u>	<u>Subsidy Per Passenger</u>
MISSOURI				
Cape Girardeau	133	17.1	\$255,903	\$23.86
Ft. Leonard Wood	130	14.2	\$257,287	\$28.92
Kirksville	158	7.7	\$412,349	\$85.85
MONTANA				
Glasgow	279	6.5	\$370,383	\$90.43
Havre	251	4.2	\$500,349	\$189.53
Sidney	273	6.6	\$585,757	\$142.59
Wolf Point	295	5.6	\$370,383	\$105.49
NEBRASKA				
Alliance	242	2.6	\$223,029	\$136.24
Chadron	301	2.5	\$223,029	\$141.07
Hastings	160	2.9	\$178,810	\$99.23
Kearney	186	10.3	\$507,672	\$78.95
McCook	259	3.8	\$328,862	\$139.23
North Platte	282	5.6	\$144,292	\$41.06
Scottsbluff	202	8.5	\$144,292	\$27.18
NEW JERSEY				
Trenton	72	15.3	\$506,438	\$53.02
NEW MEXICO				
Alamogordo/ Holloman AFB	92	10.9	\$383,859	\$56.09
Clovis	106	13.3	\$517,996	\$62.26
Silver City/ Hurley/ Deming	163	9.5	\$483,644	\$81.03
NEW YORK				
Massena	149	20.2	\$205,666	\$16.29
Ogdensburg	127	9.6	\$205,666	\$34.24
NORTH DAKOTA				
Devils Lake	403	12.6	\$316,905	\$40.14
Dickinson	313	5.8 1/	\$163,295	\$45.01
Jamestown	304	11.1	\$80,246	\$11.54
Williston	324	16.0	\$33,766	\$3.38
OKLAHOMA				
Enid	91	7.3	\$415,756	\$91.35
Ponca City	88	12.3	\$415,756	\$53.81
PENNSYLVANIA				
Oil City/Franklin	91	31.1	\$339,863	\$17.43

PROJECTED SUBSIDIZED ESSENTIAL AIR SERVICE (EAS) FOR FY 1995

<u>States/ Communities</u>	<u>Estimated Mileage to Nearest Hub (S, M, or L)</u>	<u>Average Daily Enplanements at EAS Point (CY 1993)</u>	<u>Annual Subsidy Rate projected for FY 1995</u>	<u>Subsidy Per Passenger</u>
PUERTO RICO				
Ponce	80	30.0	\$325,247	\$17.31
SOUTH DAKOTA				
Yankton	96	10.7	\$425,711	\$63.27
TEXAS				
Brownwood	153	4.9	\$401,179	\$130.63
UTAH				
Cedar City	257	18.3	\$503,354	\$43.84
Moab	241	5.2	\$462,194	\$142.26
Vernal	171	14.2	\$305,311	\$34.39
VIRGINIA				
Staunton	108	39.7	\$110,879	\$4.46
WASHINGTON				
Ephrata/Moses Lake	122	16.2	\$326,875	\$16.14
WEST VIRGINIA				
Beckley	186	21.3	\$245,359	\$18.42
Clarksburg/Fairmont	107	8.4	\$259,689	\$49.35
Morgantown	75	11.1	\$259,689	\$37.28
Princeton/Bluefield	145	21.8	\$245,359	\$18.00
WYOMING				
Laramie	131	28.2	\$100,583	\$5.70
Worland	164	8.8	\$100,583	\$18.19

1/ Calculated on less than a full year's passenger data annualized.

EAS COMMUNITY, STATE, AND CARRIER SUBSIDIES

Mr. CARR. Please provide estimated annual compensation in fiscal year 1995 by EAS community, state, and carrier assuming that the President's budget request is enacted into law, similar in format to the data shown on pages 626-628 of last year's hearing record.

[The information follows:]

Community, state, carrier, and projected fiscal year 1995 subsidy 1/

		Estimated Annual Compensation
Alamogordo, NM	Mesa Airlines	383,859
Alliance/Chadron, NE	GP Express	446,058
Bar Harbor/Rockland, ME	Colgan	1,132,344
Beckley/Bluefield, WV	CCAair	490,717
Brownwood, TX	Lone Star	401,179
Cape Girardeau, MO	Trans States	255,903
Cape Yakataga/Icy Bay, AK	Gulf Air Taxi	28,694
Cedar City, UT	SkyWest	503,354
Central/Circle, AK	Warbelows	12,948
Chatham/Funter Bay, AK	Ward Air	7,260
Clarksburg/Morgantown, WV	Mesa Airlines	519,378
Clovis, NM	Mesa Airlines	517,996
Cordova, Gustavus, Yakutat , Petersburg & Wrangell, AK	Alaska Airlines	1,265,375
Cortez/Alamosa, CO & Laramie/Worland, Wy	Mesa Airlines	402,331
Crescent City, CA	WestAir	298,868
Devil's Lake/Jamestown, ND	Great Lakes	397,151
Dickinson, ND	Great Lakes	163,295
El Dorado/Camden AR	Lone Star	850,472
Enid/Ponca City, OK	Lone Star	831,512
Fairmont/Mankato, MN	Great Lakes	383,376
Fergus Falls, MN	Great Lakes	237,490
Ft. Leonard Wood, MO	Trans States	257,287
Glasgow/Wolf Point, MT	Big Sky	740,766
Gulkana, AK	Ellis Air	75,096
Harrison, AR	Lone Star	756,491
Hastings/Kearney, NE	GP Express	357,619
Havre, MT	Big Sky	500,349
Healy Lake, AK	40-Mile	34,886
Jonesboro, AR	Lone Star	566,982
Kamuela, HI	Trans Air	248,491
Dodge City, Garden City, Goodland, Great Bend, Hays, Liberal,KS/Guymon,OK, & Lamar, CO	Air Midwest/Mesa	1,595,671
Kearney/McCook , NE	GP Express	657,724
Kingman/Prescott, AZ	Mesa Airlines	387,200
Kirksville, MO	Redwing	412,349
Massena/Ogensburg, NY	Mesa Airlines	411,331
Mattoon/Charleston/Mt. Vernon & Danville, IL	Direct Air	1,159,998
May Creek/McCarthy, AK	Ellis Air Taxi	40,072
Moab, UT	Alpine	462,194
Moses Lake, WA	Horizon	326,875
Nikolski, AK	Mark Air	55,461
Oil City/Franklin, PA	Mesa Airlines	339,863
Ottumwa, IA	Great Lakes	344,850

Page, AZ	SkyWest	258,675
Ponce, PR	Executive Airlines	325,247
Santa Maria, CA	WestAir	196,737
Scottsbluff/N Platte, NE	GP Express	288,583
Seward, AK	FS Air Service	70,941
Sidney, MT	Big Sky	585,757
Silver City, NM	Mesa Airlines	483,644
Staunton, VA	CCAir	110,879
Topeka, KS	Air Midwest	108,724
Trenton, NJ	Colgan	506,438
Vernal, UT	SkyWest	305,311
Williston, ND	Great Lakes	33,766
Yankton, SD	Great Lakes	425,711
12 Kodiak Bush Points	MarkAir	117,866

Subtotal of long-term rates	\$23,079,394
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Other Projected Subsidy Obligations

Expected subsidy rate adjustments and	
carrier selections in fiscal year 1995	1,520,606
Estimated fiscal year 1995 hold-in compensation	1,000,000
Total projected fiscal year 1995 obligations	\$25,600,000

1/ This list of communities is comprised of those eligible communities receiving subsidized essential air service as of April 1, 1994, with one exception. It does not include the 17 communities that would potentially be made ineligible by the Administration's budget request for fiscal year 1995.

GUIDELINES FOR SUBSIDY CLAIMS

Mr. CARR. In a September 1993 draft report on Lone Star Airlines' Section 419 subsidy billings for providing essential air service, the IG reported that there are no written guidelines given to air carriers to explain what should be included in a subsidy claim, or specifically how a claim form should be completed. The IG recommended that OST establish clear, written departmental guidelines. Has this been done?

[The information follows:]

Yes. The claim form itself is largely self-explanatory, and we have always given airlines further instructions when any questions arose. In addition, in response to the IG's recommendation, OST has drafted additional guidance to carriers which, subject to IG review, will be included on the back of every monthly subsidy claim form.

COMMUNITIES ELIMINATED IN FISCAL YEAR 1994

Mr. CARR. Please provide a chart showing those communities which lost air service under this program during fiscal year 1994, their annual subsidy, O&D passengers, subsidy per passenger, miles to nearest hub, and cumulative subsidy.

[The information follows:]

FY 94 EAS Cuts Based on \$200/psgr, 70 miles from a Large or Medium Hub, and YE 6/30/93 Traffic

<u>Community, ST</u>	<u>Annual Subsidy</u>	<u>YE 6/30/93 Q&D Pax</u>	<u>Sub/Pax</u>	<u>Miles</u>	<u>Hub Size</u>	<u>Hub</u>	<u>Cumulative Subsidy</u>
1 Gadsden, AL	\$332,984	952	\$349.77	115	L/M	Atlanta	\$332,984
2 Galesburg, IL	\$625,139	1,900	\$329.02	185	L/M	Chicago	\$958,123
3 Hot Springs, VA	\$505,220	1,679	\$300.91	202	L/M	Washington	\$1,463,343
4 Elkins, WV	\$360,673	1,297	\$278.08	161	L/M	Pittsburgh	\$1,824,016
5 Paris, TX	\$493,740	2,024	\$243.94	131	L/M	Dallas/Ft Worth	\$2,317,756
6 Laconia, NH	\$452,008	1,872	\$241.46	109	L/M	Boston	\$2,769,764
7 Stockton, CA	\$485,692	14,449	\$33.61	45	L/M	Sacramento	\$3,255,456
8 Muncie, IN	\$603,894	4,144	\$145.73	53	L/M	Indianapolis	\$3,859,350
9 Bloomington, IN	\$347,527	5,243	\$66.28	53	L/M	Indianapolis	\$4,206,877
10 Santa Fe, NM	\$132,314	19,429	\$6.81	56	L/M	Albuquerque	\$4,339,191
11 Terre Haute, IN	\$722,758	4,833	\$149.55	64	L/M	Indianapolis	\$5,061,949

COMMUNITIES ESTIMATED FOR ELIMINATION IN FISCAL YEAR 1995

Mr. CARR. Please provide a similar chart showing those communities currently estimated to lose service assuming enactment of the President's budget request for fiscal year 1995.

[The information follows:]

EAS Communities Exceeding \$200/Passenger or Less Than 70 Miles From a Small Hub

Community, ST	Annual Subsidy @ 4/1/94	Year End		CY 1993		CY 1993		Hub	Mile	Size	Hub	Cumulative Subsidy
		6/30/93 O&D Pax	6/30/93 Sub/Pax	O&D Pax	Sub/Pax	O&D Pax	Sub/Pax					
1 Glendive, MT	\$585,757	1,704	\$343.75	1,837	\$318.87	223	S	Billings				\$585,757
2 Miles City, MT	\$585,757	1,805	\$324.52	1,873	\$312.74	145	S	Billings				\$1,171,514
3 Lewistown, MT	\$500,349	1,829	\$273.56	2,195	\$227.95	129	S	Billings				\$1,671,863
4 Mitchell, SD	\$328,204	1,539	\$213.26	1,553	\$211.34	72	S	Sioux Falls				\$2,000,067
5 Ely, NV	\$727,082	3,434	\$211.73	3,570	\$203.66	236	L	Salt Lake City				\$2,727,149
6 Visalia, CA	\$211,799	13194	\$16.05			40	S	Fresno				\$2,938,948
7 Hot Springs, AR	\$756,491	8,062	\$93.83			54	S	Little Rock				\$3,695,439
8 Keene, NH	\$626,812	9,056	\$69.22			56	S	Manchester				\$4,322,251
9 Muscle Shoals, AL	\$364,843	4,924	\$74.09			57	S	Huntsville				\$4,687,094
10 Brookings, SD	\$328,204	1,697	\$193.40			58	S	Sioux Falls				\$5,015,298
11 Anniston, AL	\$364,843	6,208	\$58.77			61	S	Birmingham				\$5,380,141
12 Tuscaloosa, AL	\$364,843	5,550	\$65.74			61	S	Birmingham				\$5,744,984
13 Merced, CA	\$547,289	10,190	\$53.71			64	S	Fresno				\$6,292,273
14 Worthington, MN	\$191,497	1,611	\$118.87			65	S	Sioux Falls				\$6,483,770
15 Rutland, VT	\$626,812	4,235	\$148.01			67	S	Burlington				\$7,110,582
16 Danville, VA	\$315,504	11,212	\$28.14			68	S	Greensboro				\$7,426,086
17 Watertown, NY	\$283,619	14,710	\$19.28			69	S	Syracuse				\$7,709,705
Add'l Points and/or Cost Saving Measures	\$113,295											\$7,823,000

See Next Page for Note.

Other EAS Communities That Could Lose Service

Community, ST	Annual Subsidy @ 4/1/94	Year End		CY 1993		CY 1993		Hub Size	Hub	Cumulative Subsidy
		6/30/93 O&D Pax	6/30/93 Sub/Pax	Q&D Pax	Sub/Pax	Q&D Pax	Sub/Pax			
1 Havre, MT	\$500,349	2,468	\$202.73	2,640	\$189.53	251	S	Billings		\$500,349
2 Danville, IL	\$301,743	2,241	\$134.65	1,866	\$161.71	90	M	Indianapolis		\$802,092
3 Chadron, NE	\$242,694	1,566	\$154.98	1,581	\$153.51	301	L	Denver		\$1,044,786
4 Moab, UT	\$452,194	3,162	\$146.17	3,249	\$142.28	241	L	Salt Lake City		\$1,506,980
5 Brownwood, TX	\$401,179	2,993	\$134.04	3,071	\$130.63	153	M	Austin		\$1,908,159

General Notes:

The above lists of points are strictly illustrative in that they are based on currently available data.

Final decisions will be made on more current data. It also should be noted that events could occur which could cause additional points to be eliminated, such as a change of Hub designation

from Small to Nonhub or vice versa, and changes both in subsidy rates and passenger levels.

While FY 1994 cuts were premised on a \$200 subsidy/passenger based on passengers carried during the year ended June 30, 1993, more current data will be used to determine

the FY 1995 cuts. If YE June 30, 1994, traffic is used, those data will not be available until late summer.

Highway distances are based on Federal Highway Administration official analysis--used for the first time in support of the FY 1995 Budget--of the exact distances using a Geographic Information

System in conjunction with a highway network database from the U. S. Geological Survey.

As a result, in some cases, mileage figures are revised from prior year tables.

RECOVERIES

Mr. CARR. In a November 1993 audit of Prime Air's billings under the Essential Air Service Program, the IG "found numerous instances where the carrier claimed subsidy for flights that had been cancelled or for flights that made unauthorized stops." They found the company overbilled the Department by \$589,180. Have these funds been recovered?

[The information follows:]

What appeared to be billing irregularities were first discovered by managers of the EAS program, based on a comparison of records they had requested from airport officials with the carrier's subsidy claim forms. The Department immediately asked the IG to perform more in-depth auditing. The IG confirmed the suspicions and brought their investigation unit into the case. Prime Air had ceased operations in 1989 and was liquidated shortly thereafter. However, the owner of Prime Air, Mr. Ron Langley, was charged by the Department of Justice with defrauding the government, and a plea-bargain agreement was reached. On March 25, 1994, Mr. Langley was fined \$10,000, ordered to pay \$200,000 in restitution, and sentenced to be incarcerated for one year and a day. The Department would pursue civil action in an attempt to recover additional monies, if it appears that any money could likely be recovered.

EAS AWARDS CRITERIA

Mr. CARR. This seems like a gross, and potentially fraudulent, case of overbilling. Is Prime Air still allowed to run air service or compete for EAS contracts? Does the Department have the legal authority to debar a company from participating in the EAS program?

[The information follows:]

Mr. Langley is now a convicted felon, having been found guilty of defrauding the Federal Government, and having been sentenced to serve a year in jail. Prime Air has been defunct for several years. While there is no statutory prohibition against a convicted felon applying for authority to start an airline, that airline would have to be found fit, willing and able to operate by the Department before it could start service. The Department's policies and fitness standards would make it virtually prohibitive for an applicant with Mr. Langley's record to be found fit. Further, the Department has complete discretion as to what EAS carriers it awards contracts and, as a practical matter, Mr. Langley will never again be awarded an EAS contract.

PROPOSED CHANGES TO EAS SUBSIDY CRITERIA

Mr. CARR. Your budget recommends deletion of the bill language allowing EAS points greater than 210 miles from the nearest large or medium hub airport. Without this language, what additional points would be eliminated in fiscal year 1995, and what is their annual subsidy and subsidy per passenger?

[The information follows:]

The 210-mile "safe haven" under the fiscal year 1994 EAS appropriation carves out a special exception for communities that are very isolated. While communities whose subsidy per passenger exceed \$200 per passenger generally were made ineligible for subsidized service, in fiscal year 1994, communities more than 210 miles from the nearest Large or Medium Hub airport are exempt from the \$200 per passenger standard. The following five communities currently have a subsidy-per-passenger over \$200 and thus would be eliminated in fiscal year 1995, even though they are more than 210 miles from the nearest Large or Medium Hub. (We caution that subsidy rates and traffic levels are subject to change and the actual list could vary as subsidy and traffic at points near the \$200 per passenger cutoff could change.)

PROPOSED CHANGES TO EAS SUBSIDY CRITERIA

Mr. CARR. Why does the Department recommend deletion of this language?

[The information follows:]

While the Department is sympathetic to the transportation needs of the most isolated communities, at some level the subsidy-per-passenger is simply excessive and cannot be justified by the benefits accruing to individuals. We believe \$200 is the appropriate level.

WORKING CAPITAL FUND STAFFING

Mr. CARR. Please update the table on working capital fund staffing, as shown on page 636 of last year's hearing record, by deleting 1985 and adding 1995.

[The information follows:]

WORKING CAPITAL FUND STAFFING

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Authorized positions	318	309	309	311	311	304	331	334	332	352
FTE ceiling	314	291	308	317	317	310	338	¹ 351	340	² 360
End-of-year FTP	279	284	301	306	302	311	316	309	332	352

¹ Includes non-ceiling FTE beginning in FY 1993.

² Includes the transfer of 21 FTE for activities previously funded from other sources.

WORKING CAPITAL FUND REIMBURSEMENTS

Mr. CARR. Please update the data on WCF reimbursements by mode, as shown on pages 637-639, by updating 1993 and 1994 and adding 1995 estimates.

[The information follows:]

The tables follow. It should be noted, however, that these tables reflect "cost" estimates to be billed to DOT operating administrations and are not distributions of WCF obligational authority. Cost estimates are determined by applying adjustments to the obligational authority for each activity to account for reductions for planned capital acquisitions, increases for amortized depreciation of capital purchases in current and prior years and charges from one WCF activity to another WCF activity, i.e. printing. These adjustments reflect the actual costs of providing services to DOT operating administrations.

DEPARTMENT OF TRANSPORTATION
WORKING CAPITAL FUND
DISTRIBUTION OF ACTUAL COSTS BILLED BY OPERATING ADMINISTRATION - FY 1993
(DOLLARS IN THOUSANDS)

WCF ACTIVITY	OST	USCG	FAA	FHWA	FRA	NHTSA	FTA	SLSDC	MARAD	RSPA	DIG	BITS	OTHER	TOTAL COSTS
SPECIAL PERSONNEL PROGRAMS	63	\$224	\$257	\$19	\$3	\$3	\$2	\$1	\$5	\$4	\$3	\$0	\$0	\$524
CEO	18	27	84	24	7	15	8	1	12	5	5	0	0	206
TELECOMMUNICATIONS	1,126	1,731	2,836	803	181	484	266	9	453	229	117	3	0	8,318
VOICE MAIL	61	133	217	63	13	22	0	2	0	17	0	0	0	528
FIS	154	430	659	216	46	108	69	2	118	54	26	0	5	1,887
MULTIPURPOSE BRIEFING ROOM	54	22	114	49	17	30	14	1	20	8	7	0	0	337
TCC SERVICES	3,152	4,597	1,335	7,848	42	28	3,328	8	649	657	8	0	0	22,332
HEALTH & FITNESS (MASSIF)	44	12	11	30	17	34	11	0	21	8	7	0	0	195
MAIL OR POOL	242	32	137	34	14	14	10	0	0	0	0	0	0	25
MAIL	129	460	622	178	49	109	60	4	85	40	37	4	4	640
POSTAGE	133	32	112	213	38	298	52	0	60	76	17	0	0	1,777
MILITARY POSTAL SERVICE	0	0	0	0	0	0	0	0	0	0	0	0	0	1,030
PARKING MANAGEMENT	11	36	52	16	4	9	5	0	7	3	3	0	1	148
SHUTTLE BUS	27	256	51	1	1	2	0	0	15	2	1	0	0	344
WAREHOUSE	272	583	145	80	43	60	54	0	207	97	91	0	0	2,623
BUILDING MANAGEMENT	305	593	349	435	121	266	146	9	0	0	0	0	0	735
OSHA	14	65	68	20	5	12	7	0	8	4	4	0	0	194
SATELLITE COPIERS	142	298	0	55	25	42	8	9	48	23	16	0	0	688
IN-HOUSE PRINTING PLANT	314	325	481	329	69	233	76	3	90	47	33	0	0	2,000
CONTRACTED PRINTING	277	2,236	3,781	925	78	613	107	2	69	132	19	0	0	6,280
COPY CENTERS (MASSIF)	129	17	58	183	51	112	61	4	87	41	38	0	0	781
COPY CENTERS (FOB-10A)	0	0	474	0	0	0	0	0	0	0	0	0	0	474
COPY CENTERS (TP)	0	285	0	0	0	0	0	0	0	0	0	0	0	285
IN-HOUSE PHOTOGRAPHY	74	13	84	52	11	22	6	2	15	5	0	0	4	286
CONTRACTED PHOTOGRAPHY	25	18	29	58	4	20	3	3	21	2	0	0	0	181
INITIAL DISTRIBUTION	141	301	572	118	22	68	13	5	0	63	6	0	0	1,334
SUBSEQUENT DISTRIBUTION	8	98	331	18	0	109	1	0	7	0	0	0	0	539
LIBRARY	489	339	696	295	130	155	127	8	264	124	75	0	0	2,702
IN-HOUSE GRAPHICS	144	24	143	83	42	70	11	5	36	6	8	0	0	550
CONTRACTS & VISAS	25	10	260	148	21	47	2	6	20	4	0	0	0	543
PASSPORTS	4	20	87	8	0	0	0	1	0	0	0	0	0	102
BUILDING SECURITY (MASSIF)	172	23	77	243	67	148	82	5	116	54	51	0	0	1,038
BUILDING SECURITY (FOB-10A)	0	0	888	0	0	0	0	0	0	0	0	0	3	888
BUILDING SECURITY (TP)	0	770	0	0	0	0	0	0	0	0	0	0	0	770
SECURITY & INVESTIGATIONS	283	484	665	188	52	115	63	4	89	42	39	0	3	1,987
IMPREST FUND	8	10	83	18	4	5	2	0	5	3	2	0	1	151
UNEMPLOYMENT COMPENSATION	60	334	584	78	10	18	16	24	26	15	3	0	0	1,187
FEDERAL LABORATORY CONSORTIUM	0	2	18	0	1	1	0	0	0	0	0	0	0	22
SINGLE AUDIT CLEARINGHOUSE	0	0	15	15	0	15	15	0	0	0	0	0	0	60
CONSOLIDATED FED. FUNDS REPORT	0	8	8	24	0	0	8	0	0	0	0	0	0	48
ACCOUNTING OPERATIONS SERVICES	710	0	0	0	0	0	0	0	0	255	67	0	0	1,032
DAFIS OPERATIONS	77	2,440	3,398	1,083	93	96	50	0	100	52	73	0	0	7,387
	68,511	616,503	1,157,721	1,142,026	1,128,1	63,422	44,683	1,116	42,887	42,092	67,011	67	6701	475,053

DEPARTMENT OF TRANSPORTATION
WORKING CAPITAL FUND
DISTRIBUTION OF COSTS BY OPERATING ADMINISTRATION
FY 1984 ENACTED BUDGET
(DOLLARS IN THOUSANDS)

WCF ACTIVITY	OST	USCG	FAA	FHWA	FRA	NHTSA	FTA	SISDC	MARAD	RSFA	OIG	BTS	OTHER	TOTAL COSTS
SPECIAL PERSONNEL PROGRAMS	45	4,233	4,348	435	45	44	43	61	47	45	43	40	40	4,697
CEO	23	38	112	31	10	10	10	1	15	7	7	0	0	269
TELECOMMUNICATIONS	814	1,823	2,785	1,044	213	508	323	10	463	238	146	5	11	8,489
VOICE MAIL	59	144	231	65	14	20	0	6	16	89	48	2	4	1,659
FTS	274	848	936	351	72	170	108	16	158	89	48	2	4	2,954
MULTIPURPOSE BRIEFING ROOM	66	31	150	60	19	38	18	1	23	10	14	1	0	429
TCC SERVICES	2,853	4,822	876	10,831	50	33	3,281	5	548	877	0	3	661	25,429
HEALTH & FITNESS (NASSIF)	43	13	10	37	18	35	13	0	22	6	6	0	0	201
HEALTH & FITNESS (TP)	0	18	0	0	0	0	0	0	0	0	0	0	0	18
MOTOR POOL	380	49	215	53	23	22	15	0	63	14	6	6	0	846
MAIL	155	641	770	216	62	124	70	4	104	49	47	1	2	2,145
POSTAGE	209	51	159	334	59	466	82	0	95	118	26	16	0	1,815
MILITARY POSTAL SERVICE	11	0	47	1	0	0	0	0	0	0	0	0	0	49
PARKING MANAGEMENT	11	40	87	16	5	9	5	0	8	4	3	0	0	158
TRANSIT BENEFIT PROGRAM	13	17	50	14	1	7	5	0	7	3	3	0	0	122
SHUTTLE BUS	19	188	39	1	0	0	0	0	1	0	0	0	0	259
WAREHOUSE	192	122	271	132	21	130	24	0	4	30	0	0	0	4,137
BUILDING MANAGEMENT	484	940	618	882	180	412	228	13	325	153	144	2	0	828
OSHA	17	60	88	24	7	14	8	0	12	5	6	0	0	137
SATELLITE COPIERS	283	802	0	112	50	133	18	18	98	46	30	15	0	1,403
IN-HOUSE PRINTING PLANT	281	281	427	305	64	218	70	3	84	44	30	37	0	1,852
CONTRACTED PRINTING	387	2,865	4,918	1,230	104	841	143	2	80	517	25	219	0	11,311
COPY CENTERS (NASSIF)	175	24	79	249	71	143	80	4	120	57	54	1	0	1,057
COPY CENTERS (FOB-10A)	0	0	754	0	0	0	0	0	0	0	0	0	0	754
COPY CENTERS (TP)	0	633	0	0	0	0	0	0	0	0	0	0	0	633
IN-HOUSE PHOTOGRAPHY	70	14	84	54	11	22	6	0	2	16	5	0	3	287
CONTRACTED PHOTOGRAPHY	51	345	58	111	25	51	6	5	43	3	0	0	0	367
INITIAL DISTRIBUTION	161	656	135	65	12	165	2	0	8	72	7	0	0	1,529
SUBSEQUENT DISTRIBUTION	13	155	528	28	0	0	0	0	0	6	0	0	0	897
LIBRARY	485	339	689	292	128	153	126	8	28	12	75	0	0	2,076
IN-HOUSE GRAPHICS	128	21	125	58	37	62	9	5	31	8	5	0	0	464
CONTRACTED GRAPHICS	50	20	484	288	40	82	3	12	38	8	0	21	0	1,952
PASSPORTS & VISAS	5	20	80	4	1	1	0	0	1	1	0	0	0	113
BUILDING SECURITY (NASSIF)	185	27	89	277	78	159	90	5	134	64	90	1	0	1,180
BUILDING SECURITY (FOB-10A)	0	0	959	0	0	0	0	0	0	0	0	0	2	961
BUILDING SECURITY (TP)	0	959	0	0	0	0	0	0	0	0	0	0	0	959
BUILDING INVESTIGATIONS	303	539	798	215	62	124	70	4	104	49	47	1	2	2,288
IMPREST FUND	11	14	125	24	5	3	2	0	7	4	2	0	0	200
UNEMPLOYMENT COMPENSATION	128	712	1,250	170	22	35	34	52	55	33	6	0	0	2,500
FEDERAL LABORATORY CONSORTIUM	1	0	14	0	1	0	0	0	0	0	0	0	0	21
SINGLE AUDIT CLEARINGHOUSE	0	0	10	10	0	1	0	0	0	0	0	0	0	40
CONSOLIDATED FED. FUNDS REPORT	0	8	18	0	0	0	0	0	0	0	0	0	0	46
ACCOUNTING OPERATIONS SERVICES	713	0	0	0	0	0	0	0	0	0	0	15	0	718
DAFIS OPERATIONS	87	3,015	4,294	1,555	100	100	100	0	197	141	17	2	0	9,598
TOTAL	49,239	420,578	624,148	619,163	61,578	14,412	14,981	1176	43,130	42,996	4920	4352	4697	482,160

Amounts on this table reflect estimated costs to be billed to DOT operating administrations and net obligations.

BRIDGE FROM COSTS TO OBLIGATIONS
REVERSAL OF WCF COST ADJUSTMENTS
LESS DEPRECIATION COSTS
ADD CAPITALIZED EQUIPMENT
TOTAL OBLIGATIONS REQUESTED

585
(3,060)
3,335

493,000

WORKING CAPITAL FUND ACTIVITIES

Mr. CARR. Please explain the criteria used by the Department to determine when activities are appropriate for funding under the working capital fund, compared to the Office of the Assistant Secretary for Administration, the modes, or other parts of the budget. [The information follows:]

The Department uses three criteria to determine when activities are appropriate for funding under the Working Capital Fund. These criteria are provided below:

The activity must consist of an administrative service which is continuing in nature. Administrative service is defined as a function normally performed by a support organization providing a benefit, often with a tangible product, which customers would normally be required to produce internally or through contract support.

The activity is common (i.e., a shared resource required and/or available for use by more than DOT component).

It is more economical and/or efficient to manage and perform the activity on a central basis.

The activities proposed for transfer to the WCF were previously funded through reimbursable agreements with the operating administrations. Reimbursable agreements were initially used for start-up of these programs. Since they are ongoing programs, funding through WCF is appropriate.

WORKING CAPITAL FUND OBLIGATIONS

Mr. CARR. Why are you estimating an unobligated WCF balance of \$10,058,000 at the beginning of fiscal year 1995? [The information follows:]

The unobligated balances consist almost entirely of cash reserves to replace capital equipment and cumulative results of annual profits or losses from WCF rate-based operations. Established accounting procedures for the WCF require that before capital equipment can be procured, a sufficient cash reserve of accumulated depreciation must be available to cover the cost of the procurement. In addition, the fund maintains a small reserve of accumulated profits to cover any loss that may be incurred during a fiscal year from the WCF's rate-based operations such as printing and the Transportation Computer Center. These reserves are monitored monthly and adjustments are made in rates to ensure that the balances remain at a reasonable level. It is assumed that the level of these financing sources will remain constant through Fiscal Year 1995.

WORKING CAPITAL FUND TRAVEL

Mr. CARR. On page 113, travel costs financed by the WCF would rise from \$478,000 in fiscal year 1994 to \$691,000 in fiscal year 1995. Why are additional travel funds needed, especially when the fiscal year 1994 level was a large increase over the \$263,000 provided for fiscal year 1993?

[The information follows:]

Of the total increase of \$213,000 in travel, \$202,000 is for travel costs associated with the activities transferred from reimbursable activities to the WCF in FY 1995. Considerable travel is required under the Workforce Diversity Program and Seminars for Prospective Managers for the purpose of assessing and selecting training sites monitoring the execution of the courses for quality control and to serve as instructors for several of the courses. In addition, travel is required to monitor actual test collection procedures and to perform site visits to testing laboratories to assure quality control. These activities were financed through reimbursable agreements and other sources in FY 1994. The remaining \$11,000 increase is for existing WCF travel needs.

Actual FY 1993 obligations appear significantly reduced for two main reasons. In FY 1993, an effort was undertaken to review and verify prior year travel obligations in the accounting system. As a result of this effort approximately \$60,000 was deobligated due to the account structure of the WCF and was reflected as an offset to FY 1993 obligations. The WCF account structure has been revised for FY 1994

to eliminate this situation in the future. In addition, due to the pace of transition between administrations, travel costs were considerably lower than normal for providing security to top DOT officials while travelling in fiscal year 1993.

ACTIVITIES TRANSFERRED TO WCF

Mr. CARR. Please provide a list of each of the activities transferred to the WCF in fiscal year 1995, their corresponding amounts, and the page number of the justifications indicating corresponding decreases in other parts of the budget.

[The information follows:]

Following is the list of activities transferred to the WCF in FY 1995 with their corresponding amounts:

Activity:	<i>Dollar amount</i>
Sign Language Interpreting Service	\$127,000
Seminar for Prospective Managers	215,000
Federal Executive Institute	273,000
Consolidated Personnel Management Information System	2,777,000
Work Force Diversity Program	2,221,000
Drug Testing and Education and Awareness Program	2,940,000
Workers' Compensation Information System	175,000
Centralized Distribution Mail Metering	2,151,000
Extended Local Area Network/Intermodal Data Network	880,000

The Workers' Compensation Information System was transferred from the Federal Aviation Administration. Corresponding decreases for all other activities are from the Salaries and Expenses reimbursable obligations and are found on p. 10 of the OST budget justification.

WORKERS COMPENSATION INFORMATION SYSTEM

Mr. CARR. On page 114, you are requesting \$175,000 to transfer the workers' compensation information system from the FAA to the working capital fund. Is this system currently used by any organization other than the FAA?

[The information follows:]

The DOT Workers' Compensation Information System (WCIS) is a DOT-wide system. Parts of the FAA, the Coast Guard, the Maritime Administration, and the Office of the Secretary currently have access to the system. It is our plan to have all of the Operating Administrations on-line by the end of this fiscal year.

Mr. CARR. In a recent report, the Inspector General recommended against development of a new worker's compensation information system, which was planned by the FAA. Does your WCF request for fiscal year 1995 include any funding for that system?

[The information follows:]

The WCF request does not include funding for a new workers compensation information system. The Inspector General's recommendation was based on language in an early version of a document related to the FAA's workers' compensation program. In fact, it was and still is FAA's intent to use the DOT WCIS system as its management information base. FAA continues to support WCIS, as demonstrated by its willingness to cover the total costs of the system through fiscal year 1994.

TRAINING AND EXECUTIVE DEVELOPMENT

Mr. CARR. Under "Office of the Assistant Secretary for Administration" (p. 28), you are showing costs of \$137,000 in fiscal year 1994 and \$78,000 in fiscal year 1995 for "training and executive development". This would appear to show an overall decrease in those costs. However, under the working capital fund (p. 117), you are requesting a total increase of \$488,000 for seminars for prospective

managers (\$215,000) and for the Federal Executive Institute (\$273,000) in fiscal year 1995. Therefore, total funding for training and executive development would appear to rise from \$137,000 in fiscal year 1994 to \$566,000 in fiscal year 1995. Is this accurate? [The information follows:]

The amounts shown under "Office of the Assistant Secretary for Administration (p. 28) reflect costs for training and executive development of OST S&E staff. The amounts shown under Working Capital Fund (p. 117) reflect the total funding for the transfer of the departmentwide Seminar for Prospective Managers and the Federal Executive Institute programs. These amounts include the cost of providing this training to all DOT operating administrations as well as OST staff. These programs were previously funded through reimbursable agreements with the operating administrations. In FY 1995, the portion that OST will fund for Seminar for Prospective Managers (\$6,000) and the Federal Executive Institute (\$26,000) is reflected in the amount identified as "Payments to WCF" on (p. 28). The remaining amounts for these activities will be paid to the WCF by other DOT operating administrations, based on their participation in the programs. The following table outlines these costs:

SUMMARY OF TRAINING
(\$000)

S&E training (OST only)	Fiscal year		
	1993	1994	1995
Direct	288	137	78
Payments to WCF:			
Prospective Managers	0	0	6
Federal Executive Institute	0	0	26
WCF training: ¹			
Prospective Managers	² 233	² 215	215
Federal Executive Institute	² 208	² 250	273

¹ Includes payment by OST to WCF.

² Funded through reimbursable agreements.

Mr. CARR. Please provide a listing of the executive level training requested in the fiscal year 1995 budget by mode, similar in format to that found on pages 650 through 660 of last year's hearing record. Please include the course name, number of persons budgeted, cost/person, number of days, and total cost for the course.

[The information follows:]

Office of the Secretary
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Executive Forum	9	\$760.00	3	\$ 6,840.00
SES Candidate Development Program (CDP) Common Needs	13	\$1,566.00	6	\$20,358.00
Issues Seminars (Mgmt/Transp.)	14	\$1,170.00	2-3	\$16,800.00
Rotational Assignment/ Exec. Mobility	3	\$1,350.00	90/person	\$ 4,052.00
Total				\$48,000.00

Office of Inspector General
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Executive Forum	3	\$ 760.00	3	\$2,280.00
Issues Seminars (Mgmt/Transp.)	5	\$1,170.00	2-3	\$5,850.00
Total				\$8,130.00

United States Coast Guard
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Executive Forum	6	\$760.00	3	\$4,560.00
Management Development Centers	5	\$2,395.00	2 wks.	\$11,990.00
SES CDP Common Needs	3	\$1,566.00	6	\$4,698.00
Issues Seminars (Mgmt/Transp.)	10	\$1,170.00	2-3	\$11,700.00
Total				\$32,948.00

Federal Aviation Administration
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Executive Forum	9	\$760.00	3	\$6,840.00
Management Development Centers	6	\$2,395.00	2 wks.	\$14,370.00
Federal Executive Institute	10	\$7,800.00	4 wks.	\$78,000.00
SES CDP Common Needs	20	\$1,566.00	6	\$31,320.00
Issues Seminars (Mgmt/Transp.)	16	\$1,170.00	2-3	\$18,720.00
Total				\$149,250.00

Federal Highway Administration
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Brookings Seminar	4	\$3,400.00	5	\$13,600.00
Executive Forum	9	\$760.00	3	\$6,840.00
Management Development Centers	1	\$2,100.00	10	\$2,100.00
Executive Skills Seminar	24	contract	5	\$25,000.00
Federal Executive Institute	5	\$7,800.00	4 wks.	\$39,000.00
SES CDP Common Needs	9	\$1,566.00	6	\$14,094.00
Issues Seminars (Mgmt/Transp.)	14	\$1,170.00	2-3	\$16,380.00
University Programs for Executives	4	\$8,000.00	4 wks.	\$32,000.00
OPM Executive Quarterly Seminar	5	\$600.00	3	\$3,000.00
White House/Capitol Hill Workshop	10	\$750.00	3	\$7,500.00
Transportation Executive Institute	2	\$2,000.00	4	\$4,000.00
OPM SES Orientation	5	\$230.00	2	\$1,150.00
Total				\$164,664.00

Federal Railroad Administration
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Executive Forum	4	\$760.00	3	\$3,040.00
SES CDP Common Needs	2	\$1,566.00	6	\$3,132.00
Issues Seminars (Mgmt/Transp.)	4	\$1,170.00	2-3	\$4,680.00
Total				\$10,852.00

National Highway Traffic Safety Administration
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Executive Forum	5	\$760.00	3	\$3,800.00
SES CDP Common Needs	5	\$1,566.00	6	\$7,830.00
Issues Seminars (Mgmt/Transp.)	11	\$1,170.00	2-3	\$12,870.00
Total				\$24,500.00

Federal Transit Administration
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Executive Forum	5	\$760.00	3	\$3,800.00
SES CDP Common Needs	2	\$1,566.00	6	\$3,132.00
Issues Seminars (Mgmt/Transp.)	7	\$1,170.00	2-3	\$8,190.00
Federal Executive Institute	4	\$7,800.00	4 wks.	\$31,200.00
Total				\$46,322.00

Saint Lawrence Seaway Development Corporation
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Executive Forum	1	\$760.00	3	\$760.00
Issues Seminars (Mgmt/Transp.)	3	\$1,170.00	2-3	\$3,510.00
Total				\$4,270.00

Maritime Administration
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Executive Forum	4	\$760.00	3	\$3,040.00
Issues Seminars (Mgmt/Transp.)	8	\$1,170.00	2-3	\$9,360.00
SES CDP Common Needs (Internal)	8	\$3,735.00	varied	\$29,880.00
Federal Executive Institute	1	\$7,800.00	4 wks.	\$7,800.00
Total				\$50,080.00

Research and Special Programs Administration
Executive Level Training
FY 1995

<u>COURSE</u>	<u># PERSONS</u>	<u>COST/ PERSON</u>	<u># OF DAYS</u>	<u>TOTAL COST</u>
Executive Forum	5	\$760.00	3	\$3,800.00
SES CDP Common Needs	1	\$1,566.00	6	\$1,566.00
Issues Seminars (Mgmt/Transp.)	8	\$1,170.00	2-3	\$9,360.00
Total				\$14,726.00

CENTRALIZED MAIL METERING

Mr. CARR. On page 118, you are requesting \$2,151,000 for centralized mail metering, and state that annual savings of \$530,000 are expected. When will those savings be realized, and are any reflected in the fiscal year 1995 budget?

[The information follows:]

Before the centralization of mail metering each mode paid the postal service direct (reflected in object class 23 of each modal budget) for their postage usage. With the implementation of centralized mail metering in fiscal year 1993, funded through reimbursable agreements with each mode, we are able to utilize various mailing discounts offered by the postal service such as third-class bulk. These savings have been realized annually ever since fiscal year 1993 and the \$530,000 estimated annual savings is reflected in the fiscal year 1995 budget request.

Mr. CARR. Can you break down the estimated savings of \$530,000 by mode?

[The information follows:]

Following is the breakdown of the estimated savings by mode:

FAA	\$332,787
FHWA	28,408
FRA	1,167
FTA	4,823
MARAD	265
NHTSA	21,942
OST	42,823
RSPA	14,098
USCG	83,687
Total	530,000

FINANCIAL MANAGEMENT REVIEWS

Mr. CARR. On page 120, you are requesting \$719,000 for a contractor-performed review of your financial management activities. Although called a "Federal Managers' Financial Integrity Act Review", the justifications do not indicate that such a review is required by that statute. Could you explain?

[The information follows:]

"Federal Managers' Financial Integrity Act Review" is a term used by DOT to refer to the DAFIS Consolidated Review Program (CRP) which satisfies the review requirements for DAFIS of:

Federal Managers' Financial Integrity Act, Public Law 97-255, Section 4: to determine if the agency's accounting system conforms to the principles, standards, and related requirements prescribed by the Comptroller General.

OMB Circular A-123, Internal Control Systems: to determine whether the internal control system is effective and is operating in compliance with the Integrity Act and A-123.

Internal Control Guidelines: to determine whether adequate control objectives have been established and control techniques exist and are functioning as intended, and to develop recommendations to correct weaknesses in either the design or functioning of the internal control system.

OMB Circular A-127, Financial Management Systems: to determine that appropriate reviews are conducted of its financial management systems in accordance with the guidance issued by OMB for compliance with the requirements of the FMFIA Act; OMB Circulars A-123; A-127; and A-130.

In fiscal year 1995, we will update the CRP review methodology and perform an in-depth review of DAFIS' controls and compliance with standards. We will use questionnaires, user surveys and on-site reviews to determine whether:

There are sufficient controls and security measures to compensate for any identified risks associated with DAFIS and/or its environment;

DAFIS' clientele are generally satisfied with the results and performance of DAFIS;

DAFIS is being operated in a cost-effective manner and complies with applicable laws and regulations;

There is proper management of DAFIS' information; and

DAFIS complies with management, financial, accounting, information resources management, budget, and other appropriate standards.

Mr. CARR. The justifications further state that this is planned pursuant to a draft OMB circular dated January 29, 1993. Has OMB ever issued the final circular?

[The information follows:]

The review is planned pursuant to OMB Circular A-123, Management Controls (dated August 1986) and to the proposed revision to the circular dated January 29, 1993. The proposed revision to OMB Circular A-123 states that "at least once every five years, each assessable unit must be subjected to a detailed and comprehensive examination of the adequacy of its management controls. Ideally, this examination—which must include testing of the controls—is conducted by an independent party, such as management personnel from outside the unit." Since DAFIS has undergone a very intense implementation period during the last five years, we feel that an independent review by a commercial vendor is warranted.

As of April 12, 1994, OMB has not issued the final revision to Circular A-123.

Mr. CARR. How did you arrive at the need for \$719,000 for this study?

[The information follows:]

Our fiscal year 1990 review was performed by an independent CPA accounting firm. The firm developed and executed a CRP methodology, which addresses all financial review requirements for OMB Circulars A-123, A-127, and A-130. After completion of the fiscal year 1990 review, the contractor provided the criteria for estimating the costs of the tasks to be performed in the fiscal year 1995 review (i.e., tasks to be performed, number of hours to complete each task, per site if applicable, etc.). OST used the contractor developed criteria, the estimated number of sites to be reviewed and projected contractor rates to develop the fiscal year 1995 estimated costs.

MINORITY BUSINESS RESOURCE CENTER LOAN PROGRAM

Mr. CARR. Your budget requests an increase from \$7,500,000 to \$15,000,000 for loans to disadvantaged, minority, and women-owned businesses in fiscal year 1995. As of last October, you had an unobligated balance of \$2,900,000 million in fiscal year 1993 funds which had not been disbursed. Combined with the fiscal year 1994 limitation of \$7,500,000, you have \$10,400,000 to obligate in fiscal year 1994. How much of this amount has been obligated to date?

[The information follows:]

The \$2.9 million is associated with other MBRC programs and is separate from the Short Term Lending Program. Of the \$2,900,000, \$619,000 has been obligated to date. We will be obligating \$1,800,000 during the next quarter for two (2) programs. Under the Minority Business Outreach/Student Training and Education Program (MBO/STEP), OSDBU will be competitively awarding grants totalling \$800,000 to eight (8) Hispanic Serving Institutions (HSIs) to develop and implement educational programs designed to enhance disadvantaged business enterprises (DBEs) knowledge of the transportation field and assist them in competing for transportation-related contracts. In addition, the grants provide funding to the HSIs to emphasize the education and training of minority students and encourage them to become owners and managers of transportation-related DBEs, thereby attracting more of the nation's young talent into transportation-related careers through their academic studies and through practical work experience in both the public and private sector. We also plan to obligate \$1,000,000 under a national competition to minority chambers of commerce and trade associations to participate in the Liaison Outreach and Services Program (LOSP). The focus of the LOSP is to support and enhance the ability of these organizations to provide a communication link between the DOT, its recipients, contractors, subcontractors, small business and DBEs to in-

crease their access to transportation-related contracts and DOT's financial assistance programs.

The \$7,500,000 available for the Short Term Lending Program (STLP), during fiscal year 1994 has been obligated in anticipation of lines of credit being made in fiscal year 1994. To date in fiscal year 1994, 20 lines of credit totalling \$3,400,000 have been approved under the STLP.

Mr. CARR. For the record, please provide estimated subsidy costs and administrative costs for each of the following loan limitations in fiscal year 1995: (a) renewals only; (b) \$7.5 million; (c) \$10.0 million; (d) \$12.5 million.

[The information follows:]

Estimated subsidy costs and administrative costs for the following loan limitations in fiscal year 1995 are as follows:

	Subsidy costs	Administrative costs
(a) Renewals only*	\$825,000	\$250,000
(b) \$7.5 million	750,000	225,000
(c) \$10.0 million	1,000,000	300,000
(d) \$12.5 million	1,250,000	375,000

*Based upon DOT authorization to fund renewals of \$8,250,000. The dollar amount of renewals is based upon lines of credit estimated from fiscal year 1993 and 1994 activity. Overall it is estimated that 50 lines of credit requiring DOT funding of \$8,250,000 will be renewals in fiscal year 1995.

MBRC LOAN DEFAULT RATES

Mr. CARR. After estimated default rates in this program of 4 percent in fiscal year 1993 and 1994, you are estimating a rise to 10 percent in fiscal year 1995. Why is this?

[The information follows:]

The estimated default rate of 4 percent for fiscal years 1992 and 1993 was based on a very conservative estimate. Considering that the businesses financed under the program are generally of marginal financial strength, it is our opinion that the majority of the loans are high risk and we believe a 10 percent default rate is a much more realistic estimate of potential losses under the program. We would like to note that although we have developed a program that is structured to minimize losses considering the type of businesses being financed; we do anticipate losses will occur. Accordingly, we have a responsibility to establish an adequate reserve for loan losses. To date, we have incurred no losses for the 19 lines totalling \$4,700,000 approved in fiscal year 1993.

MBRC LOANS/JOB'S CREATED

Mr. CARR. Have you ever estimated the number of minority jobs in transportation industries created as a result of this loan program?

[The information follows:]

We have not completed a study to determine the number of minority jobs created as a result of this program. The DOT program fills a very specific niche in the marketplace by providing accounts receivable financing to disadvantaged business enterprises (DBEs) for transportation related projects. One of the typical uses of the funds available under the program would be to pay ongoing payroll costs of employees working the projects being financed. Accordingly, although we may not have an estimate of the number of jobs created, we do know that the program provides a source of critically needed operating cash to assist DBEs in staffing and managing their transportation related contracts.

TSARC ACTIONS

Mr. CARR. Your October 30, 1992 Major Acquisition Policy and Procedures document describes situations where a key decision point (KDP) may be skipped or combined with subsequent KDPS. Please provide a list of all cases over the past year where the

TSARC has allowed such actions, updating the data provided on page 709 of last year's hearing record.

[The information follows:]

The TSARC for the United States Coast Guard's Coastal Patrol Boat Program held on Dec 15, 1993, approved a combined Demonstration/Validation Phase, KDP#2, and Full Scale Development, KDP#3, as a result of the Coast Guard's decision to pursue an existing proven design.

TSARC ACTIVITIES

Mr. CARR. Please also provide a listing of all program deviation reports prepared over the past year, updating the data provided on page 709 of last year's hearing record.

[The information follows:]

No reports were received by TSARC in the last year.

KEY DECISION POINTS

Mr. CARR. Please provide a listing of TSARC meetings, briefings, and other activities relating to KDP milestones scheduled or planned for the next 12 months, by program. For each, explain the planned purpose of the meeting.

[The information follows:]

TSARCs are scheduled 45 days after receipt of submissions from the Operating Administrations (OA's), which are normally dependent upon the OA's Acquisition Review Councils.

TSARC meetings scheduled or planned:

<u>PROGRAM</u>	<u>DATE</u>	<u>PURPOSE</u>
FAA Satellite Navigation Wide Area Augmentation System (WAAS)	April 94	FAA request for delegation of all current and future A-109 decisions to the FAA.
Airport Surveillance Radar (ASR) - 11	May 94	Acquisition Plan and KDP#3
Seagoing Buoy Tender (WLB)	June 94	Low Rate Initial Production Approval (LRIP) decision.
Coastal Buoy Tender (WLM)	Sept 94	LRIP decision
Vessel Traffic Services	*	KDP#2, Update AP
On-Site Simulation	*	KDP#2, Approve AP
Flight Services Automation System	*	KDP#2, Approve AP
Airport Surface Traffic Automation	*	KDP#2, Approve AP
Traffic Management System	*	KDP#2&3, Approve AP
Integrated Terminal Weather System	*	KDP#3, Update AP
Terminal Area Surveillance System	*	KDP#2, Approve AP

* Dates are not yet proposed

CONTRACTING PRACTICES REPORT

Mr. CARR. Last year, the OMB Director asked each Department to review their contracting practices by June 30, 1993 to determine the effectiveness of current practice and to see whether too many activities have been contracted out. Please summarize your report on this subject and describe any actions planned for the next year to address any issues or recommendations made in that report.

[The information follows:]

The Office of the Inspector General (OIG) and acquisition personnel conducted a review of the Department of Transportation service contracting practices.

A services questionnaire was developed for completion by program, contracting, and acquisition policy personnel, and a representative sample of 66 service contracts and solicitations were selected by the OIG for review. Approximately 150 personnel participated in these efforts.

The review found that adequate DOT policies and procedures are in place to ensure that inherently governmental functions are not being preformed by contract; contracts are accomplishing what was intended; and procedures are in place to monitor services, evaluate their cost effectiveness, and hold contractors accountable for results while ensuring that we receive what we paid for.

Over the next year, DOT plans to revise the Transportation Acquisition Manual to require the evaluation of end products and contractors' performance under service contracts to determine the quality of service, timeliness of performance, contract compliance, and usefulness of the end product.

MAJOR ACQUISITION POLICIES AND PROCEDURES

Mr. CARR. In November 1993, the FAA made several recommended revisions to the Department's Major Acquisition Policies and Procedures. Please list each of the FAA's proposals and provide a brief OST response.

[The information follows:]

Following are the FAA's proposed changes to the Major Acquisition Policies and Procedures (MAPP) as submitted to OST. OST and the FAA are in the process of evaluating and negotiating the proposed changes, therefore a final position on FAA's proposals has not been taken. Any approved recommendations will be included in the revised MAPP.

Proposal No.: FAA 1 (second part of FAA 1 follows)

Proposal: a. Page I-4. Clarify what happens if additional systems are added after program initiation which increases TAC into another defined level.

b. Pages I-4 and I-5. Clarify the basis for the dollar thresholds for program levels in "Constant" vs. "Then year" dollars and what the base year of the estimate should be.

Proposal No.: FAA 1

Proposal: c. Page I-3: Modify the definition of "Total Acquisition Costs" (TAC) into several definitions for hardware/software, services, and operations-type programs.

1. Define time boundaries for services-type programs as \$50M over a 5-year period or the term of a proposed contract to be funded if it exceeds 5 years.
2. Tailor definitions to DOT/FAA factors vice DOD (e.g., Flyaway, Rollaway, Sailaway).

d. Page I-1: Clarify "Applicability" to account for unique problems of Operations Appropriation Programs.

Proposal No.: FAA 2

Proposals: a. Page IV-22: Modify the MNS to eliminate the:

1. Requirement for a LCCE for each alternative at KDP 1;
2. Requirement for a ROM TAC for each alternative (retain only for likely alternative); and,
3. Discussion of timing of need, priority in relation to other OA missions, and the impact on other government agencies and place in Alternatives Analysis of Phase 1.

b. Page II-6: De-emphasize costs (except ROM TAC) in KDP 1 and focus on capability shortfall definition and quantitative data to support pursuing the program into Phase I.

Proposal No.: FAA 3

Proposal: Page II-22: Add a Phase 5, Operations and Support, as the basis for determining major mods to deployed systems, replacement programs, or the need for a new acquisition program.

Proposal No.: FAA 4

Proposal: Page IV-8: Eliminate performance objectives and require only a threshold value for each critical performance parameter, and report deviations when the thresholds are breached.

Page IV-9: Eliminate cost ceilings and use TAC as the cost baseline. Report a cost breach when costs are expected to exceed the baseline by 15 percent.

Establish a cost baseline for each acquisition phase and report actual costs against each baseline at Major Acquisition Reviews.

Page IV-10: Use the completion of the acquisition phases and KDPs as the basis for the program schedule baseline. Report breaches when the schedule is expected to slip 180 days.

Proposal No.: FAA 5

Proposal: Page (TBD): Develop new planning and budgeting processes to delay establishment of acquisition programs until KDP-

Proposal No.: FAA 6

Proposal: Page IV-16: Change ILSP content to remove the requirements for specific mandatory elements and allow OA specific elements as long as the MAPP intent is met.

Proposal No.: FAA 7

Proposal: Page I-2: Define the terms "Acquisition Program", "Acquisition", and "Procurement".

Proposal No.: FAA 8

Proposal: Page I-4: Raise the major acquisition program thresholds and consider:

1. Different thresholds for different type programs (e.g., leased services);
2. Selectively choosing programs for oversight rather than using a dollar threshold as the determiner.

Proposal No.: FAA 9

Proposal: Page II-3, Para. 5: Provide more flexibility to allow NDI even if trade-offs must be made in meeting all the Government's Operational Requirements.

COAST GUARD'S MAPP PROPOSALS

Mr. CARR. Did the Coast Guard make similar recommendations? If so, please provide a similar listing and response addressing their recommendations.

[The information follows:]

Following are the USCG's proposed changes to the Major Acquisition Policies and Procedures (MAPP) as submitted to OST. OST and the USCG are in the process of evaluating and negotiating the proposed changes, therefore a final position on USCG's proposals has not been taken. Any approved recommendations will be included in the revised MAPP.

PROPOSAL NO.: USCG 1

Proposal: Page I-3 and IV-18: Phase 1 costs should be reflected in both the TAC and LCCE reports.

PROPOSAL NO.: USCG 2

Proposal: Page IV-12: Reexamine the requirement to conduct and refine Cost Benefit Analysis (CBA) throughout the process.

PROCUREMENT REFORM SAVINGS

Mr. CARR. Please provide a detailed breakdown, by program within each mode, of the \$65,383,000 in "procurement reform" savings, transmitted in a recent fiscal year 1995 budget amendment.

[The information follows:]

The President's proposed amendment would reduce DOT's FY 1995 budget request by \$65,480,000 to reflect anticipated savings from procurement reform legislation, pending before Congress, and from improvements in the processing of procurement information. Of this amount, \$360,000 is associated with MARAD, and \$65,120,000 with the rest of DOT. The \$65,383,000 figure cited in the question appears to represent the sum of DOT's non-MARAD savings (\$65,120,000) and those projected for the Interstate Commerce Commission (\$263,000).

The amendment would give the Secretary the authority to identify the accounts to be reduced. Based on historical levels of information technology budget resources by mode, most savings are expected to occur in FAA (about \$52.9 million). The largest share of FAA's savings would be expected in its capital accounts. Major savings are also expected in Coast Guard (about \$6.2 million), FHWA (about \$2.3 million), and RSPA (about \$1.9 million). The following table provides further detail.

However, it should be noted that these are derived estimates, in order to support the governmentwide amendment. The Department is unable to link specific programs or proposals to the savings. Moreover, the reductions could conflict with the ability of information technology (IT) to support key DOT programs. For example, major research and technology initiatives, such as the Intelligent Vehicle Highway Systems (IVHS) program, depend heavily on IT tools to achieve their objectives. In addition, the Department is using IT to assist in various efforts at process reengineering and organizational transformation that are underway or planned. The Coast Guard, for instance, is planning to use automation to consolidate eight fully staffed communications centers into two—for savings of 130 personnel and \$1 million per year. However, if anticipated savings result in budget reductions before IT investments can be made, no funding will be available to implement the projects.

Fiscal year 1995 estimated savings

FAA	52,890,000
USCG	6,183,000
FHWA	2,291,000
RSPA ¹	1,917,000
Other	1,839,000
Subtotal (ex. MARAD)	65,120,000

MARAD	360,000
Total DOT	65,480,000

¹ Note.—Amounts shown are primarily related to procurements of the Volpe National Transportation Systems Center (VNTSC), which is operated by RSPA. VNTSC is not financed by direct appropriations, but as a working capital fund. Funds are received based on negotiated work agreements with other DOT elements, and with other departments. It would therefore not be appropriate to reduce RSPA's budget by the amount shown in the above table.

Mr. CARR. Why did the administration propose a general provision for most of this amount (\$65,120,000) and appropriations account bill language under OST "Salaries and expenses" for the remainder (\$263,000)? Wouldn't a single general provision have the same effect?

[The information follows:]

Total DOT savings of \$65,480,000 are cited in the amendment. This includes an administrative provision in the Commerce, State, Justice appropriations bill, reducing MARAD's request by \$360,000, and a general provision in the DOT appropriations bill reducing the rest of DOT's request by \$65,120,00. Instead of a single general provision, two separate provisions were offered in order to accommodate the two subcommittees with jurisdiction over DOT's appropriations. The \$263,000 cited in the question appears to refer to savings of the Interstate Commerce Commission (ICC). This is a separate amendment, which would reduce ICC's Salaries and Expenses account (page 913 of the President's Budget).

PROCUREMENT REFORM RECOMMENDATIONS

Mr. CARR. The Office of Federal Procurement Policy has been working to develop a package of procurement reforms which would enable government agencies to be more flexible and timely in their procurement practices, particularly as they relate to the acquisition of general purpose computer technology. Please explain what reforms are being considered.

[The information follows:]

Recommendation PROC08 of the National Performance Review called for a reform of information technology procurements. Specifically, the recommendation called for three basic reforms: Increase the delegation of authority to agencies to purchase information technology; For purchases less than \$500,000 for products, and \$2.5 million for services over the life of a contract, eliminate indepth requirements for analyses of alternatives; Pilot-test alternative ways of buying commercially available information technology items.

Implementation of this recommendation is the responsibility of the General Services Administration, however, DOT would support reforms in this area. In addition, DOT supports the many procurement reforms being proposed in S. 1587, Acquisition Streamlining Act of 1994.

DOT'S PARTICIPATION IN PROCUREMENT REFORM

Mr. CARR. Has the Department of Transportation requested that they be used to test some of these innovative concepts on a trial basis? If not, what do you think of that idea?

[The information follows:]

The Department of Transportation (DOT) is one of 20 agencies participating in a pilot program under the auspices of the Office of Federal Procurement Policy, to develop procedures to evaluate past performance in the selection of contractors. We have included past performance as the major technical evaluation factor in the recompetition of the DOT telephone maintenance system. The results of the pilot program should allow us to utilize past performance in the selection of our contractors which should help assure that we select contractors who have demonstrated their capabilities to perform the requirements.

The DOT Senior Procurement Executive (SPE), together with the SPEs of six other civilian agencies, has signed a pledge to increase the use of the purchase card/credit card; identify and eliminate impediments to the use of the card; cooperate with other agencies and OFPP; and improve and streamline the program by sharing experiences.

The agencies are making a concerted effort to both provide the card to the program officials and eliminate barriers to use of card. DOT is the leading civilian agency in the use of the card in terms of number of actions and dollars but is continually exploring ways to expand its usage.

DOT has taken the lead on an interagency working group, comprised of representatives from seven civilian agencies which was established to analyze the potential impact of the pending increase (contained in S.1587) in the Small Purchase threshold, develop recommendations, and formulate an implementation plan which addresses all identified issues related to the anticipated increase, particularly relating to regulatory, logistics and career management areas.

In response to the governmentwide electronic commerce initiative, a synopsis was recently published in the Commerce Business Daily for sources to provide the DOT with an automated procurement system. This procurement system, otherwise called the Transportation Automated Procurement Systems (TAPS) will support requisitioning, contracting, and small purchase activities within the DOT. The goal of TAPS is to eliminate duplicate systems within the DOT while providing procurement operations and customer service; standardize and automate the acquisition process in order to eliminate redundant data entry; interface with the Contract Information System in order to improve the timeliness and accuracy of procurement statistics Departmentwide for reporting to the Federal Procurement Data System; and interface with the Departmental Accounting and Financial Information Systems in order to transmit, receive, and reconcile commitment, obligation and payment data. TAPS will also be expanded to include the capability to electronically exchange data with industry, thereby providing industry with better awareness and access to DOT-wide procurement opportunities. Ultimately, TAPS will promote greater management and cost efficiencies through increased competition and small business participation.

DOT will continue to look for ways to improve the procurement process. We will be open to continued participation in pilot projects to test innovative concepts as resources allow.

INFRASTRUCTURE INVESTMENT

Mr. CARR. On January 26, 1994, President Clinton signed an Executive order setting forth the administration's principles for federal infrastructure investments. That order required the submission of agency implementation plans by March 15, 1994. Was that deadline met by DOT?

[The information follows:]

The Department submitted its implementation plan on March 30, 1994.

DEVELOPMENT OF INVESTMENT CRITERIA

Mr. CARR. What role has OST played in supporting and coordinating the development of investment criteria for highway, transit, and aviation investments, in response to this Committee's initiative last year?

[The information follows:]

OST has hosted meetings among representatives of the operating administrations to discuss their various approaches to investment criteria and, this year, to coordinate development of the executive order implementation plan. We have encouraged and supported specific efforts, such as FAA's development of airport discretionary grant investment criteria.

Mr. CARR. Is the Department, or any of the individual modes, expected to issue investment criteria during this calendar year which would help guide decisionmaking on discretionary investments during fiscal year 1995? If not, why not?

[(The information follows:)]

FAA will issue criteria for award of discretionary airport grants and a new Letter of Investment (LOI) policy to assure that LOIs are invested only in projects that provide the best system-wide capacity benefits. Those new policies will guide investments this fiscal year and in fiscal year 1995. FTA will propose new criteria for discretionary grants for new fixed guideway projects, in accordance with the provisions of ISTEA. They will guide decisionmaking for fiscal year 1996.

In the case of FRA, whose two major programs subject to the executive order both involve a single entity—Amtrak, there are no plans to issue investment criteria. Rather, FRA will work with Amtrak management to see to it that all projects for which funds are requested receive a thorough analysis in accordance with the executive order as part of the budget process.

ENERGY CONSERVATION

Mr. CARR. In last year's Committee report, we asked the Department to identify in its fiscal year 1995 budget justifications costs to carry out energy and water efficiency improvements at buildings under the Department's jurisdiction, in order to measure the Department's performance in achieving the objectives of Public Law 102-486 (The Energy Policy Act of 1992). Please provide a chart which identifies either the page number of the justifications, by mode, on which such data can be found, or alternately, provide the cost data by mode as requested last year.

[The information follows:]

In response to guidance from Congress and OST, FAA's fiscal year justification includes a table on page EX-12 which lists \$8.3 million in energy conservation resource requests. While the other modes did not specifically request funds for energy conservation measures in fiscal year 1995, it is expected that field installations will take a variety of low-cost, but significant, energy conservation measures in the normal course of business (e.g., replacing lights with energy-saving bulbs, and specifying energy-efficient features in new or rehabilitated facilities.)

Mr. CARR. Please provide a summary of the IG's September 1993 audit report on energy conservation within DOT, the Department's response to that audit, and any actions taken to date.

[The information follows:]

The IG found that DOT was in substantial compliance with the National Energy Conservation Policy Act, as amended. However, they found improvements were needed and made the following recommendations:

1. USCG should use the same facilities on a consistent basis when estimating energy consumption until a comprehensive automated system for energy data collection is developed;
2. USCG lacks an internal accounting mechanism to provide accurate energy consumption data and should include this as a material internal control weakness in the Federal Managers' Financial Integrity Act (FMFIA);
3. USCG needs to include electric outdoor lighting as part of annual building energy consumption;
4. OST needs to remind operating administrations to identify funds for energy retrofit projects and conservation measures in its budget requests; and,
5. OST needs to issue guidance on defining energy intensive use within DOT facilities.

OST and USCG agreed with the findings. USCG is using its internal standardized expense reports and DOE's national average unit prices to calculate energy consumption until a new system is developed. USCG has reported the material internal control weakness in its FMFIA report, and has included outdoor lighting in its consumption reports. OST notified the Operating Administrations of the requirement to include energy information with their budget submissions, and also provided guidance on the definition of energy intensive use.

AIR TRAVEL CONSUMER REPORT

Mr. CARR. In compiling monthly reports rating the airlines on their on-time performance, the Department excludes from the data any delays caused by mechanical problems. Why is this data excluded?

[The information follows:]

The current rule requires that all flights delayed 15 minutes or more, or cancelled because of a mechanical problem be excluded from the on-time performance statistics reported by an air carrier. The department did not want to adversely affect safety; thus, the exclusion was implemented to minimize any perverse safety incentives, i.e., operating an aircraft with a mechanical problem for the sake of improving the on-time performance statistics.

Mr. CARR. Wouldn't this possibly provide an indication of the airlines' maintenance practices, which would be valuable information for aviation consumers?

[The information follows:]

On December 11, 1992 the Department issued a notice of proposed rulemaking (57 FR 59755), proposing to eliminate the mechanical reporting exclusion. The intent of the on-time performance rule is to provide the consumer with information to make an informed decision on which flight or carrier to use. Including flights delayed or cancelled because of mechanical problems will give consumers a complete picture of a carrier's on-time performance statistics and would be indicative of its maintenance program. However, under this proposal, the Department would not publish data specifically on mechanical delays, since the proposal will not distinguish between the types of delays (weather, air traffic control, mechanical problems, etc.)

Mr. CARR. How does the Department define "on time" for the purposes of this report?

[The information follows:]

Title 14 Code of Federal Regulations section 234.2 Definitions reads as follows: On-time means a flight that arrives less than 15 minutes after its published arrival time.

AIR TRAFFIC CONTROL SERVICES

Mr. PRICE. On page three of your written testimony, you refer to the plan the FAA is developing to restructure the FAA's air traffic control services as a government corporation.

Can you compare addressing challenges in air traffic control in the existing government agency to taking on these difficulties in a government corporation?

[The information follows:]

The air traffic control system plays a unique role for the Federal government. Aviation is the only U.S. industry with a minute-by-minute dependence on the Federal government. The air traffic control system operates 24 hours a day, 365 days a year, and handles over 60 million take-offs and landings per year. However, because of obstacles associated with the Federal government's procurement and personnel systems, and its annual budget process, the FAA has been unable to keep pace with the rapid changes in technology and the requirements of the aviation industry.

As a result, the FAA manages the most complex air traffic system in the world with outdated technology from the 1950's and 1960's in its en route traffic control centers and airport towers. Significant opportunities to improve the performance of the ATC system have been missed. The Federal personnel system provides another key obstacle to the effective day-to-day operation of the ATC system.

Clearly, there are elements of the ATC system's problems that could be addressed under a government agency. Individual procurement reforms could be introduced. Personnel reforms also could be implemented. However, it is unlikely that the entire range of procurement, personnel and budget process problems could be adequately addressed in a piecemeal fashion by a government agency. Establishment of a government corporation presents the most effective method of addressing these problems in a comprehensive package.

Mr. PRICE. Is there an existing government corporation that has had a great deal of success handling challenges that defied an earlier government agency?

[The information follows:]

According to a 1988 GAO study, there are 45 Federal government corporations. No two of them appear to be exactly alike. Very few inherited their role from another government agency, and those that did are not serving as the models for the ATC corporation. Our analysis indicates that there are both good and bad lessons to be drawn from the experience of other government corporations. The most analogous situation for air traffic control is not with an existing Federal government corporation, but with the Metropolitan Washington Airports Authority (MWAA), which "spun off" Washington National and Dulles airports from the FAA in 1987. Since then, MWAA has injected much needed capital investment in those airports, and has improved the management of those facilities.

INFORMATION RESOURCE MANAGEMENT

Mr. PRICE. What gains has the Department made in managing information resources in the last year? For example, does the Department have a plan to protect the environment, save time, increase efficiency, and more widely disseminate information by putting government forms on computer and transmitting data electronically?

The Department began information technology initiatives last year that are characterized as "high" payoff applications in terms of gains and environmental impacts. Several of these initiatives are described below:

In July, 1993, OST created a Departmental forms management committee to plan the design and implementation of electronic forms. In July, 1994, OST personnel will have approximately 120 forms available electronically. After evaluation, the forms will be distributed throughout the Department. By late 1995, the Department will begin using forms transmission and electronic signature automated procedures which will significantly reduce the need for printing, storing and distributing hard copy forms. Entering data on a screen, making changes to an automated form, having automated edits occur as data is being entered, and having automated calculations will increase efficiency.

The Bureau of Transportation Statistics (BTS) formed last year to facilitate centralized electronic dissemination of transportation statistical data to the public, has made several databases available to the public via CD-ROM and has established a toll free number for public inquiries. BTS is currently exploring the use of electronic bulletin boards, facsimile services and Internet access. An ultimate outcome of these BTS initiatives will be to enhance dissemination (ease, speed and access) of data to the public.

Electronic commerce projects such as OST's Transportation Automated Procurement Systems (TAPS) project and FAA's business Electronic Data Interchange (EDI) pilot are underway. OST plans to prototype a Commercial off-the-shelf procurement software system that will automate the procurement process and establish an integrated accounting/procurement environment. TAPS will allow OST to re-engineer its procurement activity and relationship with the private sector, as well as its internal processing (including receiving, property and accounting processes). TAPS, which will automate all procurement activities from inception to closeout, will increase productivity by reducing redundancy between the accounting and procurement processes, establish a single source for timely financial information, and provide improved tracking and status of procurement actions. The FAA's EDI pilot involves electronic transfer of Airman Certification Rating Applications with the Flight Standards Service. Pilot completion is expected to reduce workload and errors in the FAA by transferring purchase orders to AT&T/NCR, the OAT's contract vendors, electronically. The primary benefit to be derived from FAA's efforts are a reduction in the time to process orders for both the FAA and the vendors.

The initiative to consolidate the Department's docket offices into a central facility is designed to improve customer access to administrative records through a redesign of the docket management process. The new design will provide a more efficient method of processing, tracking, retrieving and storing docket records. The redesign will take advantage of imaging technology that will standardize docket handling procedures, eliminate duplicate activities, improve records management controls, develop a single point of contact entry for all dockets, provide public access to a single docket facility, and provide quick storage and on-line retrieval of massive amounts of docket information.

A major telecommunications initiative, the Intermodal Data Network (IDN), will enhance Departmental efficiency by providing Department-wide connectivity to support electronic mail and document/data exchange activities. IDN will provide a direct access link to other Federal and commercial networks around the nation, foster a consolidation of networking resources, and serve as the primary telecommunication infrastructure mechanism to serve other DOT projects (e.g., National Information Infrastructure, forms/imaging automation, etc.). The IDN supports numerous individual automation projects requiring speedy transmission of information from one system/location to another.

As an outcome of improving customer access and information regarding grant profiles, the Federal Transit Administration (FTA) has completed a significant phase of the Grants Management Information System On-Line Grantee Subsystem. At the end of FY 1993, over 10,000 inquiries for information were processed. In FY 1994, the Subsystem will be enhanced to include submission of grant applications, review and approval of grants, and post release management of awards. The ultimate benefit of electronic grant processing will provide greater access to grant-related data, thus significantly reducing the time to make awards.

As part of the Federal Highway Administration's (FHWA) strategy to provide highway-related information at all levels for timely and informed decision making, FHWA has implemented an electronic data sharing and networking system and electronic signature initiative. Working with customers, the American Association of State Highway and Transportation Officials (AASHTO) and American Association of Motor Vehicle Administrators, FHWA implemented an electronic network that links each AASHTO, each State Department of Transportation and all FHWA offices. Currently, 32 States are connected through the network. Using this network, an electronic signature pilot was also tested in 4 states. The pilot demonstrated a significant reduction in processing time for billings, letters of authorization, and project agreements between DOT and the States. In the next fiscal year, FHWA plans to make the electronic signature system available to all States that use the network.

The Department's video conferencing capabilities greatly facilitates many types of meetings (staff, crisis resolution, financial, acquisition, customer support, training, job interviews, legal testimony, etc.). Benefits include reduced travel time and ability to address a variety of time-sensitive problems.

Initiatives in conservation include:

The Department has been working on Waste Prevention and Recycling Programs and in February 1994 published the DOT Order which established DOT policy. It requires managers to conduct operations in an economically efficient and environmentally responsible manner and to utilize source reduction, reuse, and recycling opportunities to the maximum extent practicable. The department also established a Waste Prevention and Recycling Committee which consists of technical and procurement representatives from the Office of the Secretary and each operating administration to aggressively pursue a comprehensive waste reduction and recycling program in each of the operating administrations. In addition, the Department is using recycled paper in its printing plant and copy centers.

Because of these efforts we believe that more and more employees nationwide are participating in recycling programs at their facilities. Every ton of paper recycled saves about 17 trees, 270 gallons of oil, and 7,000 gallons of water. For every ton of waste paper saved by using electronic information management and other waste prevention practices, 3.3 cubic yards of landfill space is saved.

Currently, the Department is establishing 1995 goals for solid waste prevention and recycling. We are in the process of establishing a model facility demonstration program that includes waste prevention and procurement of recycled and other environmentally-preferable products using electronic acquisition. Also being considered is development of an awards program to recognize environmental innovation.

U.S.-GERMANY MARKET

Mr. FOGLIETTA. USAir, supported by the City of Philadelphia Division of Aviation, recently requested authority from your department to provide service between Philadelphia and Frankfurt, Germany. USAir's request was based on information that several U.S.-Germany frequencies are not being fully utilized by the carrier presently holding them. There is strong demand by Philadelphia businesses and citizens for air service to Frankfurt. However, one week after USAir's request, the DOT issued Order 94-3-45, which allocated virtually all available U.S.-Germany frequencies to the incumbent carriers. This order, if not modified, would effectively deny USAir's request, cf. DOT Dockets 49482, 49471.

Do you agree that it is in the public interest to ensure that the limited available frequencies in the U.S.-Germany market are fully utilized and are not allowed to be hoarded or wasted by incumbent carriers?

[The information follows:]

I fully agree that the limited number of available frequencies for U.S.-Germany services should be fully utilized and that no U.S. carrier should be allowed to hoard or waste such frequencies.

Mr. FOGLIETTA. What steps will the DOT take to ensure that U.S.-Germany frequencies are fully utilized, and if they are not, that frequencies be made available to USAir to provide Philadelphia-Frankfurt service?

[The information follows:]

DOT has followed a policy of ensuring that where there is a limited right under a bilateral agreement, such right must be used or it will be assigned to another U.S. carrier. In the case of Germany, we request that each carrier notify us before each season as to what services it intends to operate during that season using the frequencies that had been assigned to it in the previous corresponding season. We also require that the carrier inform us if they do not intend to use a frequency that had been assigned to it. When a carrier notifies us that it does not intend to use one or more of its frequencies, we put out a notice requesting any interested U.S. carrier to file an application for the available frequency or frequencies. The frequencies are allotted as "third/fourth freedom," meaning those that carry traffic between the United States and Germany, or "fifth freedom," those that may carry traffic between Germany and a third country.

Prior to the current summer season, we were informed by Delta that it would not use one of its weekly round-trip frequencies. We notified U.S. carriers that this frequency was available, and only Northwest applied for this frequency. Subsequently, we have been informed by other U.S. carriers that they do not intend to use their full allotments of frequencies. Tower has notified us that it will not use one of its two weekly third/fourth freedom frequencies for this summer. TWA has said that it will be turning back some of its frequencies during the summer season. As of June 1, TWA will not use six (6) of its weekly third/fourth freedom frequencies and six (6) of its weekly fifth freedom frequencies. Effective July 1, TWA will not use an additional eight (8) weekly third/fourth freedom frequencies and one (1) additional fifth freedom frequency.

As a result of these turnbacks by Tower and TWA, DOT will be in a position to reallocate an additional fifteen (15) weekly, round-trip, third/fourth freedom frequencies and seven (7) fifth freedom frequencies for services to Germany. Any U.S. carrier wishing to serve Germany from Philadelphia or any other U.S. city may apply for these available frequencies.

[The justifications follows:]



U.S. Department of
Transportation

BUDGET ESTIMATES FISCAL YEAR 1995

**OFFICE OF
THE SECRETARY
OF TRANSPORTATION**

**SUBMITTED FOR USE OF
THE COMMITTEES ON APPROPRIATIONS**

**FY 1995 BUDGET ESTIMATES
DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY**

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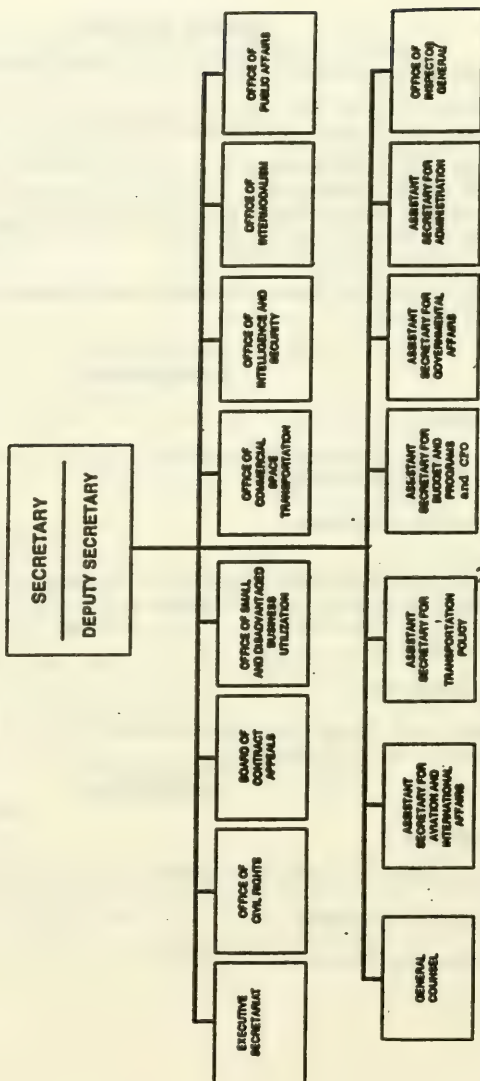
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**U.S. DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY ORGANIZATION**



OFFICE OF THE SECRETARYSUMMARY STATEMENT

In FY 1995, appropriations and obligation limitations (excluding Working Capital Fund) requested for the Office of the Secretary is \$258,114,000.

The FY 1995 request includes:

- \$61,811,000 for Salaries and Expenses, including \$57,811,000 to fund the general management and administration of the Department and \$4,000,000 for the Minority Business Resource Center to assist disadvantaged, minority, and women owned businesses, in securing federally funded transportation related contracts and subcontracts.
- \$6,541,000 for Operations and Research-OCST to fund anticipated increased activity in support of the licensing program and policy analysis. Additionally, \$200,000 in licensing user fees are estimated to be collected.
- \$9,665,000 for Transportation Planning, Research, and Development, including \$2,873,000 to support staff and research associated with the development of transportation regulatory, international and economic policy. Also, including \$6,792,000 to continue development of the department-wide payroll system.
- \$152,597,000 for GSA Rental Payments to fund headquarters and field space rental and related services, of which \$42,964,000 is derived from trust funds. Additionally, \$18,250,000 is proposed to be paid from Federal-Aid Highways "Limitation on General Operating Expenses".
- \$1,900,000 for the MBRC Loan Program to provide \$15,000,000 in loans under the short term lending program to assist small, minority and disadvantaged businesses, of which \$1,500,000 will cover loan subsidy costs and \$400,000 is for administrative costs.
- \$25,600,000 obligation limitation for Payments to Air Carriers in support of the Essential Air Service program.
- \$107,359,000 obligation limitation for the Working Capital fund to finance centralized Departmental services.

As in FY 1994, the Office of Intermodalism will be funded from the Federal-Aid Highways program.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

SUMMARY OF FUNDING
(\$ in Thousands)

<u>Appropriation</u>	<u>FY 1993 Actual Obligations</u>	<u>FY 1994 Enacted</u>	<u>FY 1995 Est.</u>	<u>Difference</u>
Salaries & Expenses	68,868	58,094	61,811	+ 3,717
Operations & Research-OCST	4,141	4,700	6,541	+ 1,841
OCST-User Fees		[200]	[200]	+ 0
Transportation Planning, Research, and Development	3,214	9,232	9,665	+ 423
Payments to Air Carriers	37,083	33,423	25,600	+ 7,823
W.C.F. (Oblim. Lim.)	[74,076]	[93,000]	[107,359]	+ [14,359]
GSA Rental Payments	130,000	149,605	152,597	+ 2,992
MBRC Loan Program	<u>400</u>	<u>400</u>	<u>1,900</u>	+ <u>1,500</u>
TOTAL	241,706	255,454	258,114	+ 23,976

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

STAFFING SUMMARY
AUTHORIZED POSITIONS AND FTE EMPLOYMENT

	Positions <u>Full-time Permanent</u>			Total Full-time 1/ <u>Equivalent Employment</u>		
	FY 1993 <u>Actual</u>	FY 1994 <u>Enacted</u>	FY 1995 <u>Estimate</u>	FY 1993 <u>Actual</u>	FY 1994 <u>Enacted</u>	FY 1995 <u>Estimate</u>
Salaries & Expenses	666	646	626	623	634	614
Salaries & Expenses, Reimbursable	60	48	37	69	65	54
Operations & Research (OCST)	24	27	33	23	26	29
Transportation Plan- ning, Research, and Development	18	24	22	31	28	26
Working Capital Fund	<u>334</u>	<u>332</u>	<u>352</u>	<u>347</u>	<u>340</u>	<u>360</u>
TOTAL	1,172	1,077	1,070	1,093	1,093	1,083

1/ Includes part-time, temporary and non-ceiling.

OST BUDGET DISTRIBUTION (Dollars in thousands)

	FY 1993 ACTUAL				FY 1994 ENACTED				FY 1995 PRESIDENTS BUDGET			
	PC&B\$	TVL\$	OTHER\$	TOT\$	POS	FTE	PC&B\$	TVL\$	OTHER\$	TOT\$	POS	FTE
SALARIES & EXPENSES												
GENERAL COUNSEL	6,904	32	18	6,954	100	96	7,593	60	164	7,817	98	99
TRANSPORTATION POLICY	2,435	25	6	2,466	39	33	2,379	24	7	2,410	39	35
AVIATION & INTERNATIONAL AFFAIRS	8,078	116	41	8,233	125	117	7,887	85	28	8,000	125	113
BUDGET & PROGRAM	2,515	21	44	2,580	37	33	2,741	25	60	2,826	37	35
GOVERNMENTAL AFFAIRS	1,758	14	16	1,788	40	32	2,081	18	1	2,100	37	37
ADMINISTRATION	13,110	102	14,145	27,357	199	192	13,404	75	13,587	27,066	190	198
SYSTEMS DEVELOPMENT	498	77	3,575	4,150	4	7	0	0	0	0	0	0
PUBLIC AFFAIRS	1,445	26	17	1,488	25	23	1,310	13	32	1,355	23	23
SECR OFCS	6,207	252	5,393	11,852	97	90	6,078	244	198	6,520	97	94
S-1 (SECR)	1,119	131	59	1,309	13	14	1,027	135	11	1,173	13	13
S-2 (DEP SEC)	373	31	8	412	7	6	440	40	1	481	8	8
S-10 (EXEC SEC)	950	0	0	950	20	19	895	1	4	900	18	18
S-20 (APP BD)	551	3	9	563	7	6	575	7	20	602	6	6
S-30 (CIV RGTS)	1,470	15	11	1,496	23	21	1,389	21	20	1,430	23	21
S-40 (OSDBU)	741	0	3	744	16	12	926	0	8	934	15	14
S-40 (MBRC)	0	20	5,151	5,171	0	0	0	0	0	0	0	0
S-60 (INTELL/SEC)	1,003	52	152	1,207	11	12	826	40	134	1,000	14	14
SUB-TOT S&E	42,946	665	23,255	66,866	666	623	43,473	544	14,077	58,094	646	634
REIMBURSABLE	1,563	63	2,515	4,141	24	23	1,927	80	2,693	4,700	27	26
OPS & RES (OCST)												
USER FEES	2,449	18	747	3,214	18	31	1,850	30	1,135	2,815	16	20
TP&D (POLICY)							629	125	5,663	6,417	8	8
SYSTEMS DEVELOPMENT												
WORKING CAPITAL FUND												
P. A. C. (C.A.)												
P.A.C. (OBLIM)												
MBRC (DIRECT LOANS)												
MBRC LOAN PROGRAM												
RENTAL PAYMENTS												
RENTAL PAYMENTS TRUST FUND												
SUB-TOTAL RENT												
	46,960	746	195,517	243,223	1,102	1,063	47,679	778	212,173	260,631	1,077	1,063
TOTAL OST (B.A.)												
OST PROGRAM LEVEL												

FY 1995 Contract Authority for Payments to Air Carriers reflects rescission proposal.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

SALARIES AND EXPENSES

[IMMEDIATE OFFICE OF THE SECRETARY]

[For necessary expenses of the Immediate Office of the Secretary, \$1,173,000.]

[IMMEDIATE OFFICE OF THE DEPUTY SECRETARY]

[For necessary expenses of the Immediate Office of the Deputy Secretary, \$481,000.]

[OFFICE OF THE GENERAL COUNSEL]

[For necessary expenses of the Office of the General Counsel, \$7,667,000.]

[For the necessary legal expenses of the 5 former employees of the White House Travel Office who were placed on paid administrative leave during calendar year 1993, \$150,000 to be made available to the Office of the General Counsel: *Provided*, That such funds shall be deposited in a Fund established by the General Counsel: *Provided further*, That the General Counsel shall disburse a portion of such funds to any such employee--

(1) after submission of a valid claim for reimbursement of necessary legal expenses incurred as a result of an investigation conducted by the Federal Bureau of Investigation of the operations of the White House Travel Office during calendar year 1993; and

(2) upon notification or finding by the Department of Justice that such employee is not a subject of such investigation.]

[OFFICE OF THE ASSISTANT SECRETARY FOR TRANSPORTATION POLICY]

[For necessary expenses of the Office of the Assistant Secretary for Transportation Policy, \$2,410,000.]

[OFFICE OF THE ASSISTANT SECRETARY FOR AVIATION AND INTERNATIONAL AFFAIRS]

[For necessary expenses of the Office of the Assistant Secretary for Aviation and International Affairs, \$8,000,000.]

[OFFICE OF THE ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS]

[For necessary expenses of the Office of the Assistant Secretary for Budget and Programs, \$2,826,000, including not to exceed \$60,000 for allocation within the Department for official reception and representation expenses as the Secretary may determine.]

[OFFICE OF THE ASSISTANT SECRETARY FOR GOVERNMENTAL AFFAIRS]

[For necessary expenses of the Office of the Assistant Secretary for Governmental Affairs, \$2,100,000.]

[OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION]

[For necessary expenses of the Office of the Assistant Secretary for Administration, \$27,066,000.]

[OFFICE OF PUBLIC AFFAIRS]

[For necessary expenses of the Office of Public Affairs, \$1,355,000.]

[EXECUTIVE SECRETARIAT]

[For necessary expenses of the Executive Secretariat, \$900,000.]

[CONTRACT APPEALS BOARD]

[For necessary expenses of the Contract Appeals Board, \$602,000.]

[OFFICE OF CIVIL RIGHTS]

[For necessary expenses of the Office of Civil Rights, \$1,430,000.]

[OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION]

For necessary expenses of the [Office of Small and Disadvantaged Business Utilization, \$934,000.] *Office of the Secretary, \$61,811,000; of which \$3,962,000 shall remain available until expended; and of which not to exceed \$60,000 shall be available as the Secretary may determine for allocation within the Department for official reception and representation expenses: Provided, That, notwithstanding any other provision of law, funds available for the purposes of the Minority Business Resource Center in this or any other Act may be used for business opportunities related to any mode of transportation.*

[OFFICE OF INTELLIGENCE AND SECURITY]

[For necessary expenses of the Office of Intelligence and Security, \$1,000,000.] *(Department of Transportation and Related Agencies Appropriations Act, 1994.)*

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

SALARIES AND EXPENSES

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993 actual	1994 est.	1995 est.
69-0102-0-1-407			
Program by activities			
Direct program:			
00.01 General administration	57,547	58,094	57,811
00.02 Minority business resource center	5,171	3,834	4,000
00.03 Systems development	<u>4,150</u>	<u>1,016</u>	<u>---</u>
00.91 Total direct program	66,868	62,944	61,811
01.01 Reimbursable program	<u>18,938</u>	<u>18,860</u>	<u>11,516</u>
10.00 Total obligations	85,806	81,804	73,327
Financing			
21.40 Unobligated balance, start of year:			
Treasury balance	(10,803)	(5,150)	---
22.00 Unobligated balance transferred, net	---	300	---
24.40 Unobligated balance available, end of year: Treasury balance	5,150	---	---
25.00 Unobligated balance expiring	<u>579</u>	<u>---</u>	<u>---</u>
39.00 Budget authority (gross)	80,732	76,954	73,327
Budget authority:			
Current:			
40.00 Appropriation	61,794	58,094	61,811
Permanent:			
68.00 Spending authority from offsetting collections (new)	18,938	18,860	11,516
Relation of obligations to outlays:			
71.00 Total obligations	85,806	81,804	73,327
72.40 Obligated balance, start of year	9,852	11,587	5,809
74.40 Obligated balance, end of year	(11,587)	(5,809)	(6,181)
77.00 Adjustments in expired accounts	<u>(136)</u>	<u>---</u>	<u>---</u>
87.00 Outlays (gross)	83,935	87,582	72,955
Adjustments to gross budget authority and outlays:			
88.00 Offsetting collections from Federal funds	<u>(18,938)</u>	<u>(18,860)</u>	<u>(11,516)</u>
89.00 Budget authority (net)	61,794	58,094	61,811
90.00 Outlays (net)	64,997	68,722	61,439

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

SALARIES AND EXPENSES

PROGRAM AND PERFORMANCE

General administration.--This appropriation finances the costs of policy development and central supervisory and coordinating functions necessary for the overall planning and direction of the Department. It covers the immediate secretarial offices as well as those of the assistant secretaries and the general counsel.

The Minority Business Resource Center.--This activity provides contractual support for the Center to assist minority business firms, entrepreneurs, and venture groups in securing contracts and subcontracts arising out of projects that involve Federal funding.

Systems development.--This activity includes funds for systems development of the departmentwide integrated personnel and payroll system (IPPS) and other management systems. In FY 1994 and FY 1995 this activity is funded within the Transportation Planning, Research, and Development account.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

SALARIES AND EXPENSES

OBJECT CLASSIFICATION (in thousands of dollars)

Identification Code	FY 1993 Actual	FY 1994 Enacted	FY 1995 Estimate
69-0102-0-1-407			
Direct obligations:			
Personnel compensation:			
11.1 Full-time permanent.....	33,614	33,468	33,760
11.3 Other than full-time permanent.....	2,467	3,379	3,715
11.5 Other personnel compensation.....	837	769	703
11.8 Special personal services payments.....	0 384	213	229
11.9 Total personnel compensation.....	37,302	37,829	38,407
12.1 Civilian personnel benefits.....	5,646	5,644	5,776
21.0 Travel and transportation of persons.....	665	544	633
22.0 Transportation of things.....	128	51	53
23.3 Communications, utilities, and miscellaneous charges.....	174	232	238
24.0 Printing and production.....	130	130	133
25.2 Other services.....	16,384	18,134	16,252
26.0 Supplies and materials.....	404	177	166
31.0 Equipment.....	1,308	203	153
41.0 Grants, subsidies, and contributions.....	0 4,727	0	0
99.0 Subtotal, direct obligations.....	66,868	62,944	61,811
99.0 Reimbursable obligations.....	<u>18,938</u>	<u>18,860</u>	<u>11,516</u>
99.9 Total obligations.....	85,806	81,804	73,327

FY 1994 Other Services includes unobligated (\$4,850K).

Personnel Summary

Direct: Total compensable workyears:			
Total compensable workyears:			
1001 Full-time equivalent employment	623	634	614
1005 Full-time equivalent of overtime and holiday hours	3	5	5
Reimbursable:			
Total compensable workyears:			
2001 Full-time equivalent employment	69	65	54

SALARIES AND EXPENSESSUMMARY STATEMENT

The Salaries and Expenses appropriation finances all activities associated with the central Departmental management role of the Office of the Secretary of Transportation, including the formulation and direction of national transportation policies and programs carried out within the Office of the Secretary. The request includes resources for the Minority Business Resource Center, which was funded by carryover in FY 1993 and FY 1994. The budget also includes increased staff support in the Office of Civil Rights, to redress the lack of attention on civil rights issues in the past and the backlog of civil rights cases. In compliance with the CFO Act resources associated with CFO activities transfer from the Office of the Assistant Secretary for Administration to the Assistant Secretary for Budget and Program. Proposed staff reductions reflect efforts to streamline operations and to absorb annualization costs of FY 1994 locality pay increases.

The appropriation language requested for FY 1995 consolidates the office-by-office funding for the Salaries and Expenses appropriation into a single account. An appropriation of \$61,811,000 is requested for fiscal year 1995, including \$4,000,000 for the Minority Business Resource Center. This is an increase of \$3.7 million over the FY 1994 enacted level. Growth is due to base pay increases including a January 1995 pay increase estimated to be 1.6 per cent offset by a net staff reduction of 20 FTE. The staffing changes are highlighted below:

- o Funds 614 FTE versus 634 FTE enacted in FY 1994, a net reduction of 20 FTE. Staff increases of 6 FTE include: 1 FTE in Immediate Office of the Secretary, to provide a Science Advisor; 5 FTE in the Office of Civil Rights, to redress issues in the area of civil rights. A reduction of 26 FTE reflect efforts to streamline operations, as follows: -1 FTE in General Counsel; -3 FTE in Transportation Policy; -6 FTE in Aviation and International Affairs; -2 FTE in Budget and Programs; -12 FTE in Administration (including 1 FTE associated with CFO activities); - 2 FTE in Intelligence and Security.
- o For the reimbursable program, a staff level of 54 FTE in FY 1995 versus 65 FTE in FY 1994 reflects the shift of 15 FTE to the Working Capital Fund for activities previously funded by the Operating Administrations through reimbursement to this account. An increase of 4 FTE in the Office of Intermodalism reflects the full strength needed for this office including the capability to coordinate Departmental support to States and Metropolitan Planning Organizations as required by ISTEA.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

SALARIES AND EXPENSES

SUMMARY OF FUNDING (BA)
(in thousands of dollars)

	FY 1993 <u>Obligated</u>	FY 1994 <u>Enacted</u>	FY 1995 <u>Estimate</u>
GENERAL ADMINISTRATION			
Immediate Office of the Secretary	1,309	1,173	1,397
Immediate Office of the Deputy Secretary	412	481	603
General Counsel	6,954	7,817	7,876
Transportation Policy	2,466	2,410	2,309
Aviation and International Affairs	8,233	8,000	7,887
Budget and Programs	2,580	2,826	5,106
Reception and Representation Allowance	[22]	[60]	[60]
Governmental Affairs	1,788	2,100	2,284
Administration	31,507	27,066	23,385
Systems Development	[4,150]		
Public Affairs	1,488	1,355	1,458
Executive Secretariat	950	900	935
Contract Appeals Board	563	602	630
Office of Civil Rights	1,496	1,430	1,788
Office of Small and Disadvantaged Business Utilization	744	934	936
Office of Intelligence and Security	<u>1,207</u>	<u>1,000</u>	<u>1,217</u>
SUB-TOTAL, General Administration	61,697	58,094	57,811
MINORITY BUSINESS RESOURCE CENTER	<u>5,171</u>	<u>---</u>	<u>4,000</u>
TOTAL, Salaries and Expenses	66,868	58,094	61,811

SALARIES AND EXPENSESGENERAL COUNSEL (C)

(\$ in thousands)

	<u>FY 1993 Actual</u>	<u>FY 1994 Enacted</u>	<u>FY 1995 Request</u>	<u>Difference from FY 1994 Enacted</u>
Permanent Positions	100	98	97	1
Full Time Equivalents:	96	99	98	1
Personnel Compensation and Benefits	\$6,904	\$7,593	\$7,816	+\$223
Travel	32	60	60	-0-
Other Costs	<u>18</u>	<u>164</u>	<u>0</u>	<u>\$164</u>
Total	\$6,954	\$7,817	\$7,876	+\$59

The General Counsel is the chief legal officer of the Department of Transportation and the final authority within the Department on all legal questions. The General Counsel's office provides legal services to the Office of the Secretary (including the conduct of aviation regulatory proceedings), coordinates and reviews the legal work of the Chief Counsels' offices of the operating administrations, and generally performs the full range of legal services involved in administering an executive department with national and international responsibilities.

Change in Resources

Increase of \$318,000 is required to fund base pay increases including a January 1995 pay raise estimated to be 1.6 per cent. This increase is offset by a reduction of \$95,000 and 1 FTE. Staff reduction reflects effort to streamline the Federal Government. Funds for "Other Costs" are not requested. Services previously acquired with "Other Costs" funding will be provided by the Office of Administration. (The FY 1994 enacted level included one-time funding of \$150,000, that was earmarked to provide legal services associated with the White House travel office.)

SALARIES AND EXPENSES**GENERAL COUNSEL (C)****PERMANENT POSITIONS**

	<u>FY 1994 Enacted</u>	<u>FY 1995 Request</u>	<u>Difference from FY 1994 Enacted</u>
<u>Immediate Office of the General Counsel</u>			
Professional	5	5	—
Non-Professional	<u>4</u>	<u>4</u>	<u>—</u>
Total	9	9	—
<u>Office of Environmental, Civil Rights and General Law</u>			
Professional	17	17	—
Non-Professional	<u>5</u>	<u>5</u>	<u>—</u>
Total	22	22	—
<u>Office of International Law</u>			
Professional	11	11	—
Non-Professional	<u>2</u>	<u>2</u>	<u>—</u>
Total	13	13	—
<u>Office of Litigation</u>			
Professional	9	8	-1
Non-Professional	<u>2</u>	<u>2</u>	<u>—</u>
Total	11	10	-1
<u>Office of Legislation</u>			
Professional	7	7	—
Non-Professional	<u>2</u>	<u>2</u>	<u>—</u>
Total	9	9	—
<u>Office of Regulation and Enforcement</u>			
Professional	7	7	—
Non-Professional	<u>4</u>	<u>4</u>	<u>—</u>
Total	11	11	—

PERMANENT POSITIONS

	<u>FY 1994 Enacted</u>	<u>FY 1995 Request</u>	<u>Difference from FY 1994 Enacted</u>
<u>Documentary Services</u>			
Professional	5	5	—
Non-Professional	<u>5</u>	<u>5</u>	<u>—</u>
Total	10	10	—
 <u>Board for Correction of Military Records</u>			
Professional	2	2	—
Non-Professional	<u>1</u>	<u>1</u>	<u>—</u>
Total	3	3	—
 <u>Office of Aviation Enforcement and Proceedings</u>			
Professional	8	8	—
Non-Professional	<u>2</u>	<u>2</u>	<u>—</u>
Total	10	10	—
 <u>TOTAL - General Counsel</u>			
Professional	71	70	-1
Non-Professional	<u>27</u>	<u>27</u>	<u>—</u>
TOTAL	98	97	-1

SALARIES AND EXPENSESASSISTANT SECRETARY FORTRANSPORTATION POLICY

(\$ in thousands)

	FY 1993 <u>Actual</u>	FY 1994 <u>Enacted</u>	FY 1995 <u>Request</u>	Diff. from FY 1994 <u>Enacted</u>
Permanent Positions:	39	39	36	- 3
Full-Time Equivalents:	35	35	32	- 3
Personnel Compensation and Benefits.....	\$2,435	\$2,379	\$2,278	\$-101
Travel.....	25	24	24	- 0-
Other Costs.....	6	7	7	- 0-
Total.....	\$2,466	\$2,410	\$2,309	\$-101

The Assistant Secretary for Domestic Transportation Policy is the chief domestic policy officer of the Department and is responsible to the Secretary for analysis, development, articulation, and review of policies and plans for domestic transportation.

Change in Resources

For personnel compensation and benefits, the FY 1995 request proposes a net reduction of \$101,000. The request includes \$52,000 for non-discretionary base pay increases including within grade increases, and \$24,000 for the January 1995 pay raise estimated to be 1.6 percent. Increases are off-set by a reduction of \$177,000 and 3 FTE's. The Fiscal Year 1995 request reflects staffing reduction in compliance with Executive Order 12839 and will be achieved through attrition.

No change for the travel budget is requested.

SALARIES AND EXPENSESASSISTANT SECRETARY FOR
TRANSPORTATION POLICYPERMANENT POSITION

	FY 1994 <u>Enacted</u>	FY 1995 <u>Estimate</u>	DIFFERENCE <u>from FY 1994</u>
<u>Office of the Assistant Secretary</u>			
Professional	5	5	--
Non-Professional	<u>4</u>	<u>4</u>	<u>--</u>
Total	9	9	--
<u>Office of Environment & Safety</u>			
Professional	10	9	-1
Non-Professional	<u>5</u>	<u>5</u>	<u>--</u>
Total	15	14	-1
<u>Office of Economics</u>			
Professional	10	9	-1
Non-Professional	<u>5</u>	<u>4</u>	<u>-1</u>
Total	15	13	-2
<u>Total Assistant Secretary for Domestic Transportation Policy</u>			
Professional	25	23	-2
Non-Professional	<u>14</u>	<u>13</u>	<u>-1</u>
Total	39	36	-3

SALARIES AND EXPENSESASSISTANT SECRETARY FOR AVIATIONAND INTERNATIONAL AFFAIRS

(\$ in thousands)

	FY 1993 <u>Actual</u>	FY 1994 <u>Enacted</u>	FY 1995 <u>Request</u>	Diff. from FY 1994 <u>Enacted</u>
Permanent Positions:	125	125	119	- 6
Full-time Equivalents:	118	113	107	- 6
Personnel Compensation and Benefits.....	\$8,076	\$7,887	\$7,774	-\$113
Travel.....	116	85	85	- 0 -
Other Costs.....	41	28	28	- 0 -
Total.....	\$8,233	\$8,000	\$7,887	-\$113

The Assistant Secretary for Aviation and International Affairs is responsible for administering the economic regulatory functions regarding the airline industry and provides Departmental leadership and coordination on international transportation policy issues relating to maritime, trade, technical assistance and cooperation programs. As overseer of airline economic regulations, the Assistant Secretary is responsible for international aviation programs, the essential air service program, airline fitness and licensing, acquisitions, international route awards and special investigations such as airline delays and CRS.

Changes in Resources

For personnel compensation and benefits, the FY 1995 request proposes a net reduction of \$113,000. The request includes \$261,000 for pay adjustments, including within-grade increases, and \$76,000 for the January 1995 pay raise estimated at 1.6 percent. Increases are off-set by a reduction of \$450,000 and 6 FTE's. The Fiscal Year 1995 request reflects staffing in compliance with Executive Order 12839. Staffing reductions will be achieved through attrition.

No change for the travel budget is requested.

SALARIES AND EXPENSESASSISTANT SECRETARY FOR AVIATION
AND INTERNATIONAL AFFAIRSPERMANENT POSITION

	FY 1994 <u>Enacted</u>	FY 1995 <u>Request</u>	DIFFERENCE <u>from FY 1994</u>
<u>Office of the Assistant Secretary</u>			
Professional	7	7	--
Non-Professional	<u>4</u>	<u>4</u>	<u>--</u>
Total	11	11	--
<u>Office of Int'l Trans. & Trade</u>			
Professional	23	21	-2
Non-Professional	<u>5</u>	<u>4</u>	<u>-1</u>
Total	28	25	-3
<u>Office of Int'l Aviation</u>			
Professional	36	35	-1
Non-Professional	<u>6</u>	<u>6</u>	<u>--</u>
Total	42	41	-1
<u>Office of Aviation Analysis</u>			
Professional	37	36	-1
Non-Professional	<u>7</u>	<u>6</u>	<u>-1</u>
Total	44	42	-2
<u>Total Assistant Secretary for Aviation & International Affairs</u>			
Professional	103	99	-4
Non-Professional	<u>22</u>	<u>20</u>	<u>-2</u>
Total	125	119	-6

SALARIES AND EXPENSESASSISTANT SECRETARY FOR BUDGET AND PROGRAMS (B)
(\$ in thousands)

	FY 1993 Actual	FY 1994 Enacted	FY 1995 Request	Diff. from the FY 1994 Enacted
<u>Total Budget & Programs</u>				
Permanent Positions:	37	37	55	18
Full-time Equivalent:	33	35	53	18
Personnel Compensation and Benefits	\$2,515	\$2,741	\$4,020	\$1,279
Travel	21	25	32	7
Other Costs	22	0	994	994
Reception & Representation	22	60	60	0
	\$2,580	\$2,826	\$5,106	\$2,280
<u>Financial Management</u>				
Permanent Positions:			20	20
Full-time Equivalent:			20	20
Personnel Compensation and Benefits			\$1,378	\$1,378
Travel			7	7
Other Costs			994	994
			\$2,379	\$2,379
Budget & Programs Without <u>Financial Management</u>				
Permanent Positions:	37	37	35	- 2
Full-time Equivalent:	33	35	33	- 2
Personnel Compensation and Benefits	\$2,515	\$2,741	\$2,642	- \$99
Travel	21	25	25	0
Other Costs	22	0	0	0
Reception & Representation	22	60	60	0
	\$2,580	\$2,826	\$2,727	- \$99

The Assistant Secretary for Budget and Programs is the Chief Financial Officer and the principal staff advisor to the Secretary on the development, review, and presentation of the Department's budget resource requirements, and on evaluation and oversight of the Department's programs. Primary responsibilities are to ensure the effective preparation

and presentation of sound and adequate budget estimates for the Department, ensure the consistency of the Department's budget execution with the action and advice of the Congress and the Office of Management and Budget, evaluate the program proposals for consistency with the Secretary's stated objectives, advise the Secretary of program and legislative changes necessary to improve program effectiveness within the Department of Transportation. As Chief Financial Officer primary responsibilities are expanded to include Department-wide financial management activities including development of financial management information reports.

Changes in Resources

For Budget and Programs (excluding financial management activities), the FY 1995 request reflects a net reduction of \$99,000 and 2 FTE. An increase of \$88,000 is required to fund base pay increases including a January 1995 pay raise estimated to be 1.6 per cent. Requested increases would be offset by a reduction of \$187,000 associated with the proposed decrease in staff levels. These measures reflect efforts to streamline activities and reduce costs associated with this Office.

Financial Management activities, including Chief Financial Officer (CFO) responsibilities, are transferred to the Assistant Secretary for Budget and Programs from the Assistant Secretary for Administration. The FY 1995 request is \$2,379,000 including \$1,378,000 to fund 20 FTE (a reduction of 1 FTE from the FY 1994 enacted level), a travel budget of \$7,000, and \$994,000 for other services, including payments to the Working Capital Fund, primarily for accounting services for OST (\$849,000). (The FY 1995 obligation limitation requested for the Working Capital Fund includes 39 FTE and \$4,108,000 for department-wide financial management activities.) (The transfer of these activities occurred in FY 1994, but for clarity of budget presentation, the transfer is shown in FY 1995.)

SALARIES AND EXPENSESASSISTANT SECRETARY FOR BUDGET AND PROGRAMS (B)

	FY 1994 <u>Enacted</u>	FY 1995 <u>Request</u>	Diff. from FY 1994 <u>Enacted</u>
<u>Office of the Assistant Secretary</u>			
Professional	3	3	0
Nonprofessional	<u>2</u>	<u>2</u>	<u>0</u>
Total	5	5	0
<u>Office of Programs and Evaluation</u>			
Professional	13	12	(1)
Nonprofessional	<u>2</u>	<u>2</u>	<u>0</u>
Total	15	14	(1)
<u>Office of Budget</u>			
Professional	14	13	(1)
Nonprofessional	<u>3</u>	<u>3</u>	<u>0</u>
Total	17	16	(1)
<u>Financial Management</u>			
Professional		15	15
Nonprofessional		<u>5</u>	<u>5</u>
Total		20	20
<u>Total - Assistant Secretary for</u>			
<u>Budget and Programs</u>			
Professional	30	43	13
Nonprofessional	<u>7</u>	<u>12</u>	<u>5</u>
Total	37	55	18

SALARIES AND EXPENSESASSISTANT SECRETARY FOR GOVERNMENTAL AFFAIRS (I)
(\$ in Thousands)

	FY 1993 <u>Actual</u>	FY 1994 <u>Enacted</u>	FY 1995 <u>Request</u>	Diff. from <u>FY 94</u> <u>Enacted</u>
Permanent Positions...	40	37	37	0
Full-Time Equivalents.	32	37	37	0
Personnel Compensation and Benefits.....	\$1,758	\$2,081	\$2,265	+\$184
Travel.....	14	18	18	0
Other Costs.....	<u>16</u>	<u>1</u>	<u>1</u>	<u>0</u>
Total	\$1,788	\$2,100	\$2,284	+\$184

The Assistant Secretary for Governmental Affairs is the principal advisor to the Secretary on all Congressional and Intergovernmental activities and on all of the Department legislative initiatives and other relationships with Members of the Congress; promotes effective communication with other federal agencies and regional Department officials, and with state and local governments and national organizations for development of Departmental programs; and ensures that consumer preferences, awareness, and needs are brought into the decision-making process.

Changes in Resources

The FY 1995 request for \$2,265,000 reflects an increase of \$184,000. The increase fully funds the planned grade levels of 37 FTEs and the January 1995 pay raise estimated at 1.6 percent (\$23K). The staff reduction in Consumer Affairs (-7 FTE) is in light of the dramatic reductions in complaints this office currently receives (40,000 complaints were filed in 1987 compared to 6,847 filed in 1992, compared to 5,985 filed in 1993.) All functions currently performed by the consumer affairs staff will, however, continue at this reduced level. The staff increase in Congressional Affairs (+7 FTE) will enable the staff to more effectively carry out all significant responsibilities for maintaining relations with the Congress on legislation and policy matters. It would enable the Secretary to take a more proactive position in advocating the Department's legislative and regulatory agenda on Capitol Hill, as well as to better respond to congressional requests. This increase in the Office of Congressional Affairs is offset by the reduction in Consumer Affairs and represents a redistribution of resources to assure implementation of the Department's strategic plan and agenda.

SALARIES AND EXPENSESASSISTANT SECRETARY FOR GOVERNMENTAL AFFAIRS. (I)

<u>PERMANENT POSITIONS</u>		
<u>FY 94</u>	<u>FY 95</u>	<u>Dif. from</u>
<u>Enacted</u>	<u>Request</u>	<u>FY 94 Enc.</u>

Office of the Assistant Secretary

Professional	3	3	-
Non-Professional	<u>2</u>	<u>2</u>	<u>-</u>
Total	5	5	-

Office of Congressional Affairs

Professional	8	14	+6
Non-Professional	<u>2</u>	<u>3</u>	<u>+1</u>
Total	10	17	+7

Office of Intergovernmental and
Consumer Affairs

Professional	19	13	-6
Non-Professional	<u>3</u>	<u>2</u>	<u>-1</u>
Total	22	15	-7

Total-Assistant Secretary
for Governmental Affairs

Professional	30	30	-
Non-Professional	<u>7</u>	<u>7</u>	<u>-</u>
Total	37	37	-

SALARIES AND EXPENSES**ASSISTANT SECRETARY FOR ADMINISTRATION
(\$ IN THOUSANDS)**

	FY 1993	FY 1994	FY 1995	Difference From FY 1994
Total Administration	Actual	Enacted	Request	FY 1994 Enacted
Permanent Positions	199	190	158	(32)
Full-Time Equivalents	193	198	166	(32)
Personnel Compensation & Benefits	\$13,100	\$13,404	\$11,550	(\$1,854)
Travel	79	75	83	8
Other Services	14,178	13,587	11,752	(1,835)
Total	\$27,357	\$27,066	\$23,385	(\$3,681)
Financial Management				
Permanent Positions	21	20		(20)
Full-Time Equivalents	22	21		(21)
Personnel Compensation & Benefits	\$1,477	\$1,377		(\$1,377)
Travel		3		(\$3)
Other Services	925	1,086		(\$1,086)
Total Financial Management	\$2,402	\$2,466	\$0	(\$2,466)
Administration Without Financial Management				
Permanent Positions	178	170	158	(12)
Full-Time Equivalents:	171	177	166	(11)
Personnel Compensation & Benefits	\$11,623	\$12,027	\$11,550	(\$477)
Travel	79	72	83	\$11
Other Services	13,253	12,501	11,752	(\$749)
Total	\$24,955	\$24,600	\$23,385	(\$1,215)

NOTE:

Financial Management Activities, including Chief Financial Officer (CFO) responsibilities, were transferred from the Assistant Secretary for Administration to the Assistant Secretary for Budget and Programs. Therefore, FY 1995 funding for financial management activities is detailed in the submission for the Office of Budget and Programs. The FY 1993 column excludes systems development which is funded in TPR&D in FY 1994 and FY 1995.

The Assistant Secretary for Administration, the principal advisor to the Secretary on departmental administrative management matters, is responsible for personnel and training, management policy, employment ceiling control system, automated systems policy, administrative operations, real and personal property management, acquisition management, grants management, and automatic data processing (ADP) facilities and services.

Major program activities include: developing administrative management policies and programs, monitoring and assessing departmental organization and manpower distribution, evaluating the quality of administrative management programs in the various administrations, operating an executive personnel management program, providing staff advice to the Secretary on major systems acquisitions and planning, developing and administering the DOT Headquarters' ADP operations, including computer service operations. Major direct administrative services to the Office of the Secretary (OST) includes such areas as procurement, personnel management, and ADP operations.

SUMMARY

The FY 1995 request of \$23,385,000, 158 positions and 166 Full-Time Equivalents (FTE) represents a reduction from the FY 1994 budget of \$3,681,000; and 32 positions and FTE. For FY 1995, the funding for CFO activities is included in the budget for the Office of the Assistant Secretary for Budget and Programs; therefore, reductions of \$2,466,000, 20 positions and 21 FTE were made to reflect this organizational realignment. The additional reductions of \$1,215,000, and 11 FTE are detailed below.

CHANGE IN RESOURCES

For Personnel Compensation and Benefits a decrease of \$477,000 is reflected, after the adjustment of \$1,377,000 for the transfer of financial management activities. Funding of \$327,000 is required for annualization of FY 1994 and new FY 1995 within-grade increases and a January 1995 pay increase of 1.6 percent. Offsetting these increases are reductions of \$804,000 for the 11 FTEs consistent with the National Performance Review's recommendation to reduce the civilian work force by the close of fiscal year 1999 and a reduction to reflect one less pay day in FY 1995.

For Travel an increase of \$11,000 is requested, after the adjustment of \$3,000 for the transfer of financial management activities. These funds will be used primarily to perform limited on-site field procurement and information resource management reviews to monitor and assure appropriate management of DOT's procurements.

For Other Services the net decrease of \$749,000, after the \$1,086,000 adjustment for the transfer of financial management activities, reflects savings achievable through planned program reductions, and increased efficiencies and streamlining resulting from the National Performance Review (NPR) efforts. The FY 1995 request includes \$329,000 for normal mandatory increases resulting from inflationary factors. Offsetting these increases are

program reductions of \$1,078,000 primarily in support of NPR. These reductions are reflected in reduced requirements for equipment \$62,000, supplies \$16,000, payments to the WCF for automation services from TCC \$426,000, telecommunications project \$45,000, administrative WCF support \$363,000, environmental and energy activities \$75,000, procurement support \$83,000, and completion of a project to reduce worker's compensation costs \$8,000.

ASSISTANT SECRETARY FOR ADMINISTRATION
SALARIES AND EXPENSES - DIRECT

2/14/94

OBJECT CLASS	FY 1993 ACTUAL	FY 1994 ENACTED	FY 1995 REQUEST	DIFFERENCE FROM FY 1994 ENACTED
TRANSP. OF THINGS	45	51	53	2
COMMS. & UTILITIES	173	232	238	6
PRTG. & REPRODUCTION	130	130	133	3
CONTRACTUAL SERVICES	13,475	12,794	11,009	(1,785)
SUPPLIES AND MATERIALS	190	177	166	(11)
EQUIPMENT	165	203	153	(50)
TOTAL, OTHER SERVICES	\$14,178	\$13,587	\$11,752	(\$1,835)

CONTRACTUAL SERVICES

Payments to WCF	8,973	9,982	8,594	(1,388)
Payroll/PMIS	202	163	163	0
Trng/Exec. Development	288	137	78	(59)
Alcohol/Employee Assistance	0	22	34	12
Workers Compensation Program		8		(8)
OIRM Security Cert. Review		22	22	0
OIRM Security Software	341	125	125	0
Telecommunications		45		(45)
Automation Program	1,707 a/	1,271	1,271	0
IRM Strategic Planning	94			0
OST Imaging Program	450			0
OIRM Oversight and Review	199			0
Mntc. and Repair	51	60	63	3
USCG Clinic	66	84	84	0
Building Alterations	173	62	64	2
Environment/Energy/Safety	124	175	100	(75)
Miscellaneous Contracts	227	265	264	(1)
National Performance Review	170 b/			
Personal/Real Property Systems	200	20	20	0
Reporting Service	9	22	22	0
TSARC Technical Support		50	25	(25)
Procurement Professionalism		55		(55)
Security Investigations	51	80	80	0
FM Evaluations	150	146		(146)

a/ The automation program includes charges to equipment and supplies in the amounts of \$1,012,000 and \$175,000 respectively.

b/ Support, in FY 1993, for National Performance Review included obligations in the following object classes: Pay and Benefits \$10,000, Travel \$23,000, Supplies \$33,000, Equipment \$47,000 and Contractual Services \$57,000.

SALARIES AND EXPENSES

1/26/94

ASSISTANT SECRETARY FOR ADMINISTRATION

	PERMANENT POSITIONS		
	FY 1994 ENACTED	FY 1995 REQUEST	DIFFERENCE
Assistant Secretary			
Professional	5	5	0
Non-Professional	3	3	0
Total	8	8	0
Personnel			
Professional	45	42	-3
Non-Professional	8	7	-1
Total	53	49	-4
Management Planning			
Professional	15	13	-2
Non-Professional	4	4	0
Total	19	17	-2
Information Resource Management			
Professional	27	23	-4
Non-Professional	4	4	0
Total	31	27	-4
Administrative Services and Property Management			
Professional	14	14	0
Non-Professional	1	1	0
Total	15	15	0
Hearings			
Professional	7	7	0
Non-Professional	3	3	0
Total	10	10	0
Acquisition and Grants Management			
Professional	29	27	-2
Non-Professional	5	5	0
Total	34	32	-2
Financial Management			
Professional	15	0	-15
Non-Professional	5	0	-5
Total	20	0	-20
TOTAL ASSISTANT SECRETARY FOR ADMINISTRATION			
Professional	157	131	-26
Non-Professional	33	27	-6
Total	190	158	-32

SALARIES AND EXPENSESOFFICE OF THE DIRECTOR OF PUBLIC AFFAIRS
\$ in thousands)

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1994</u> <u>Enacted</u>	<u>FY 1995</u> <u>Request</u>	<u>Difference from</u> <u>FY 1994 Enacted</u>
Permanent Positions	25	23	23	0
Full Time Equivalent	23	23	23	0
Personnel Compensation	\$1,445	\$1,310	\$1,387	+\$77
Travel	28	13	24	+\$11
Other Costs	17	32	47	+\$15
	<u>\$1,488</u>	<u>\$1,355</u>	<u>\$1,458</u>	<u>+\$103</u>

The Director of Public Affairs is the principal advisor to the Secretary and other senior Departmental officials and news media on public affairs questions. The office issues news releases, articles, fact sheets, briefing materials, publications and audio-visual materials. It also provides information to the Secretary on opinions and reactions of the public and news media on programs and transportation issues. It arranges news conferences and provides speeches, talking points, and byline articles for the Secretary and other senior Department officials, and arranges the Secretary's media scheduling.

Changes in Resources

The FY-1995 request for personnel expenses includes increases of \$77,000, to fund base pay and within-grade increases, and a January 1995 pay increase of 1.6 percent.

Travel

An increase of \$11,000 is requested for a total travel budget of \$24,000, and reflects the current travel trends of this office. Increased funds are needed to support the extensive travel by the Secretary in outreach activities related to DOT, often to help carry out the Administration's initiatives as well as supporting other than transportation issues. This includes advance work as well as actual trip-related travel. The practice of flying commercial versus use of Federal Aviation Administration planes increases the cost to this office, but reduces costs to the tax payer.

Other Costs

An increase of \$15,000 is requested to provide satellite uplink for video news releases by the Secretary on priority items with the Department. The increase will also provide funding to produce documentary footage and interviews with top Departmental officials of subjects that are determined to be important enough to communicate to the public via television news broadcasts. Specific subjects are determined by events during the year.

SALARIES AND EXPENSESOFFICE OF THE DIRECTOR OF PUBLIC AFFAIRSPERMANENT POSITIONS

	<u>FY-1994</u> <u>Enacted</u>	<u>FY-1995</u> <u>Request</u>	<u>Difference from</u> <u>FY 1994 Enacted</u>
<u>Director's Office</u>			
Professional	3	3	---
Non-professional	<u>2</u>	<u>2</u>	---
Total	5	5	---
<u>Speechwriting & Research</u>			
Professional	3	3	---
Non-professional	<u>1</u>	<u>1</u>	---
Total	4	4	---
<u>Public Information</u>			
Professional	7	7	---
Non-professional	<u>3</u>	<u>3</u>	---
Total	10	10	---
<u>Media Relations and</u> <u>Special Projects</u>			
Professional	3	3	---
Non-professional	<u>1</u>	<u>1</u>	---
Total	4	4	---
<u>Total - Office of Director</u> <u>of Public Affairs</u>			
Professional	16	16	---
Non-professional	<u>7</u>	<u>7</u>	---
Total	23	23	---

SALARIES AND EXPENSESIMMEDIATE OFFICE OF THE SECRETARY
(\$ in thousands)

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1994</u> <u>Enacted</u>	<u>FY 1995</u> <u>Request</u>	<u>Difference</u> <u>from 1994</u> <u>Enacted</u>
Permanent Positions	13	13	14	+1
Full Time Equivalents	14	13	14	+1
Personnel Compensation and Benefits.	\$1,119	\$1,027	\$1,251	+\$224
Travel	131	135	135	0
Other Costs	<u>59</u>	<u>11</u>	<u>11</u>	<u>0</u>
Total.	\$1,309	\$1,173	\$1,397	+\$224

The Immediate Office of the Secretary has the primary responsibility to provide overall planning, direction and control of Departmental affairs.

Increases of \$224,000 for personnel compensation and benefits are requested in FY 1995. The increases are: \$116,000 and 1 FTE to fund the Science Advisor* position; \$14,000 for the January 1995 pay raise estimated to be 1.6 percent; and \$94,000 to fund base pay increases including an adjustment to reflect current grade levels.

*The Science Advisor, who was hired in FY 1994 as a reimbursable position, would advise and assist the Secretary, Deputy Secretary and Departmental staff on activities related to the development and execution of technology deployment programs. This position would direct, coordinate, control, and ensure the adequacy of the Department's policy, plans, and programs for all DOT research and technology matters as they relate to the DOT Strategic Plan.

SALARIES AND EXPENSESOFFICE OF THE DEPUTY SECRETARY
(\$ in thousands)

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1994</u> <u>Enacted</u>	<u>FY 1995</u> <u>Request</u>	<u>Difference</u> <u>from 1994</u> <u>Enacted</u>
Permanent Positions	7	8	8	0
Full Time Equivalents	6	8	8	0
Personnel Compensation and Benefits.	\$373	\$440	\$562	+\$122
Travel	31	40	40	0
Other Costs.	<u>8</u>	<u>1</u>	<u>1</u>	<u>0</u>
<u>Total</u>	\$412	\$481	\$603	+\$122

The Office of the Deputy Secretary supports the Deputy Secretary whose primary responsibility is to assist in the overall planning, direction, and control in Departmental affairs.

Changes in Resources

The FY 1995 request includes an increase of \$122,000 for adjustment of base pay for current staff grade levels; \$3,000 for FY 1995 non-discretionary within-grade increases occurring in FY 1995; and \$7,000 to fund the January 1995 pay raise estimated at 1.6 percent.

Salaries and Expenses (Reimbursable)Office of Intermodalism
(\$ in thousands)

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1994</u> <u>Enacted</u>	<u>FY 1995</u> <u>Request</u>	<u>Difference from</u> <u>FY 94 Request</u>
Permanent positions	14	12	16	4
Full-time equivalents	8	12	16	4
Personnel Compensation and Benefits	\$559	\$783	\$1,074	\$291
Travel	\$75	\$75	\$125	\$50
Other Costs	\$116	\$192	\$500	\$308
Total	<u>\$750</u>	<u>\$1,050</u>	<u>\$1,699</u>	<u>\$649</u>

The mission of the Office of Intermodalism is to provide Departmental leadership and coordination in developing an intermodal transportation system to move people and goods in an energy-efficient manner, provide the foundations for improved productivity growth, strengthen the Nation's ability to compete in the global economy, and obtain the optimum yield from the Nation's transportation resources.

In FY 1995 the Office will continue to develop its role of coordinating Departmental support to the intermodal planning efforts of the States and Metropolitan Planning Organizations that are required by ISTEA and continue to carry out the strategic directions outlined by the Secretary's strategic plan.

As it evolves, the Office of Intermodalism must change to meet diverse challenges and stakeholder needs. The staff support system for the Office must inspire confidence among our stakeholders that their concerns are being considered. Specifically, these stakeholder concerns include:

- o Opening lines of communication for all parties
- o Recognizing program responsibilities within DOT
- o Understanding Federal/State/MPO/private sector planning roles
- o Streamlining and facilitating project-level decisionmaking
- o Assuring ample consideration of freight transportation needs

The Office staff must not only have the professional experience to meet impending challenges and address stakeholder concerns, but it must also be organized for effective identification and response. To provide this support, a developing horizontal structure in the Office encourages direct interaction and information sharing between its personnel and the States and Metropolitan Planning Organizations. Areas of responsibility for new staff positions are delineated by Federal Standard Regional Boundaries. These employees will become the contacts and resource persons for general activities within their region. The regional specialists will be responsible for monitoring program/project activities and the political/personal dynamics within their geographic area. The staff will establish communication between resource persons in USDOT field offices, State DOTs, cities, MPOs, and major transportation companies. The project tracking and communications network would be used to supplement, and not replace, existing capabilities of USDOT.

Change in Resources

Funding for this Office will be reimbursed by FHWA within the Federal-Aid Highway obligation limitation--the same as in FY 1994. \$1,074,000 in personnel compensation and benefits is required in FY 1995 to fund 16 FTE. The increase over FY 1994 levels reflects the cost of 4 additional positions and a January 1995 pay raise estimated to be 1.6 percent. Travel requirements, made necessary by the need for extensive consultation with the States, are estimated at \$125,000. The cost of supplies, furniture, equipment, and consulting support are estimated at \$500,000. Consulting support is necessary to permit study of intermodal issues and subjects that will not be addressed by specific modal research plans, such as, but not limited to:

- o Facilitators for Strategic Planning Process
- o Assessment/identification of Intermodal "Choke Points"
- o Efficient Intermodal Transportation for Travelers Living in Rural Areas in view of fading intercity bus industry
- o Capacity for cross-modal freight shifts in lieu of infrastructure investments to accommodate post NAFTA trade
- o Case studies of integrated freight operations that most closely approximate "door-to-door" service
- o Identification of intermodal terminal characteristics and definition of a process for DOT project prioritization
- o Coordination and publication of DOT's intermodal technical assistance projects in a resource document for public dissemination

SALARIES AND EXPENSESOFFICE OF THE EXECUTIVE SECRETARIAT
(\$ in thousands)

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1994</u> <u>Enacted</u>	<u>FY 1995</u> <u>Request</u>	<u>Difference</u> <u>from 1994</u> <u>Enacted</u>
Permanent Positions	20	18	18	0
Full Time Equivalents	19	18	18	0
Personnel Compensation and Benefits.	\$950	\$895	\$930	+\$35
Travel	0	1	4	+3
Other Costs.	<u>0</u>	<u>4</u>	<u>1</u>	<u>-3</u>
Total.	\$950	\$900	\$935	+\$35

The Office of the Executive Secretariat provides an organized staff service for the Secretary and Deputy Secretary to assist them in carrying out their management functions and facilitate their responsibilities for formulating, coordinating and communicating major policy decisions. It controls and coordinates internal and external material directed to the Secretary and Deputy Secretary and ensures that their decisions and instructions are implemented.

Changes in Resources

An increase of \$35,000 is requested for personnel compensation and benefits including adjustments for actual grades of current staff level; non-discretionary within-grade increases occurring in FY 1995; and to fund the January 1995 pay raise estimated at 1.6 percent.

SALARIES AND EXPENSESBOARD OF CONTRACT APPEALS

(\$ in thousands)

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1994</u> <u>Enacted</u>	<u>FY 1995</u> <u>Request</u>	<u>Difference from</u> <u>FY 1994 Enacted</u>
Permanent Positions	7	6	6	0
Full-time Equivalents	6	6	6	0
Personnel Compensation and Benefits	\$551	\$575	\$605	+ \$30
Travel	3	7	7	0
Other Costs	<u>9</u>	<u>20</u>	<u>18</u>	<u>- 2</u>
Total	\$563	\$602	\$630	+ \$28

The primary responsibility of the Board of Contract Appeals is to provide an independent forum for the trial and adjudication of all claims by or against a contractor relating to a contract of any element of the Department, as mandated by the Contract Disputes Act of 1978, 41 U.S.C. § 601 *et seq.*

Changes in Resources

An increase of \$30,000 in personnel compensation and benefits is required to fund non-discretionary base pay increases and the January 1995 pay raise estimated to be 1.6 percent. Reduction of \$2,000 in other costs reflects efforts of this office to streamline operations,

SALARIES AND EXPENSESOFFICE OF CIVIL RIGHTS

(\$ in thousands)

	FY 1993 <u>Actual</u>	FY 1994 <u>Enacted</u>	FY 1995 <u>Request</u>	Diff. from FY 1995 <u>Enacted</u>
Permanent Positions	23	23	28	+5
Full-time Equivalent	21	21	26	+5
Personnel Compensation and Benefits	\$1,470	\$1,389	\$1,742	+\$353
Travel	15	21	30	+9
Other Costs	<u>11</u>	<u>20</u>	<u>16</u>	<u>-4</u>
TOTALS	\$1,496	\$1,430	\$1,788	+\$358

Office of Civil Rights Responsibility:

The Office of Civil Rights has primary responsibility for providing policy guidance to the Operating Administrations, evaluating their performance, overseeing the investigation of both internal and external formal complaints, investigating claims that small businesses were denied certification as DBE's or were improperly certified by DOT recipients, conducting special emphasis programs, promoting EEO within DOT, and advising the Secretary on civil rights matters.

Funding Changes:

An increase of \$353,000 in personnel compensation and benefits is required to fund five additional positions, non-discretionary base pay increases such as within-grade increases and the January 1995 pay raise at 1.6 percent. Also requested is an increase of \$9,000 in travel and a decrease of \$4,000 in other services.

The Secretary has indicated his concern for a dramatic change in the way the Department conducts Civil Rights operations. Since 1982, the Office of Civil Rights staff has decreased by seven while the workload has increased tremendously.

The External Programs Division processes appeals of DBE certification denials by state DOTs. From January 1, 1993 to December 31, 1993, the office received a total of 228 appeals. These appeals must be reviewed and final decisions must be rendered. Third party challenges are an additional responsibility. In FY 1993, seven were received. These are more time consuming than regular denials. This division also has responsibilities for investigating complaints filed under the Americans with Disabilities Act of 1990 of which 234 complaints

have been received in FY 1994. This office currently has two authorized positions to handle these complaints. By the close of FY 93, 36 complaints were received under Title VI of the Civil Rights Act of 1964 (employment discrimination, services and benefits). Age Discrimination and Title IX cases are also our responsibility. Under Section 504 of the Rehabilitation Act of 1973, as amended, three complaints were generated in FY 1993. An increase of two positions in the External Programs Division are required to process the pending and anticipated increased caseload associated with Disadvantaged Business Enterprise certification denials most of which were generated by ISTE, and for an estimated 400 cases arising from denials by California's Department of Transportation which will be forwarded to DOT.

The Internal Programs Division has an increased workload with the implementation of EEOC Regulations, 29 CFR, Part 1614. It is now required to issue Departmental Decisions on all cases which are not settled or withdrawn. This means that in those instances when complainants do not respond to the Report of Investigation transmitting letter, a Departmental Decision on the record must be issued. This adds 33% to the decision writing workload. If these cases are not settled within 180 days, EEOC can require potential compensatory damages of up to \$300,000 per case. The steady increase in complaints filed caused a need for additional resources. The five year total of complaints received annually has increased by 212. August 1993 set the all time record for receipt of complaints; 101 received. The total amount of complaints received for FY 1993 were 395. At the conclusion of the first four months of FY 1994 the Office has received 145 complaints as compared with 57 received during the same period in FY 1993. An increase of two positions and two FTE for the Internal Programs Division is required to process for resolution of DOT employees' EEO complaints. The caseload has grown from 183 complaints in FY 1988 to 247 complaints in FY 1990, and in FY 1993 and all time high of 395 cases. In FY 1994 the caseload continues to grow.

The Policy, Evaluation and Planning Division is responsible for internal training, evaluation, and oversight of remedies in the resolution of complaints. The Policy, Evaluation and Planning Division has not performed any of its functions well in recent memory, due mostly to lack of resources. In order to start planning for training, policy development and compliance, this Division will need additional resources. It is anticipated that the division will participate more actively in the Department's Workforce Diversity Office.

The request for travel increase is predicated on changing the low profile of the Office and making the Office more proactive through:

- 1) the anticipated high visibility role of the Director will require travel to regional sites;

- 2) The anticipated added responsibility of the Policy Division;
- 3) the need to conduct compliance reviews or audits of remedies that were promised. This requires travel in some instances.

The average cost per trip is \$960.00. We anticipate approximately 30 trips.

An increase of one position for the Policy, Evaluation and Planning Division to place emphasis in the areas of the Diversity Workforce, to follow-up on internal complaints with the modes, and to provide resources to allow this Office to be more proactive on complaints.

An increase of \$7K would provide a total travel budget of \$30K. Travel funds would be used for on site field work necessary to process complaints, and to allow on site visits for Policy, Evaluation and Planning staff to audit modes for follow-up and to raise the profile of the Office overall.

SALARIES AND EXPENSESOFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

(\$ 000)

	FY 1993 <u>Actual</u>	FY 1994 <u>Enacted</u>	FY 1995 <u>Request</u>	Difference from FY 94 <u>Enacted</u>
Permanent Positions. .	16	15	15	0
Full-time Equivalents. .	12	14	14	0
Personnel Compensation and Benefits	\$ 741	\$ 926	\$ 935	\$ +9
Travel	0	0	0	0
Other Costs.	3	8	1	-7
Minority Business Resource Center. . .	<u>5,171</u> /	<u>3,834</u> /	<u>4,000</u>	<u>+4,000</u>
	\$5,915	\$4,768	\$4,936	\$+4,002

The Office of Small and Disadvantaged Business Utilization has primary responsibility for providing policy direction for small and disadvantaged business participation in the Department's procurement and grant programs, and effective execution of the functions and duties under sections 8 and 15 of the Small Business Act, as amended.

The Minority Business Resource Center (MBRC) designs and conducts a coordinated program of activities directed at stimulating, promoting and actively assisting minority business enterprise and small and disadvantaged business participation in Departmental procurement and Federal financial assistance activities.

Changes in Resources

For personnel compensation and benefits a net increase of \$9,000 is requested for base pay increases such as within-grade increases (\$6K) and the January 1995 pay raise estimated to be 1.6 percent (\$13K). These increases are offset by a planned reduction in overtime (\$-6K) and bonuses (\$-9K). The requested \$4,000,000 for the MBRC allows the OSDBU to fund the programs that were funded from prior year unobligated balances in FY 1993 and FY 1994 which will be depleted at the end of FY 1994. The outreach programs at the FY 1995 request level are described on the attached page.

1/ The MBRC outreach program was funded in FY 1993 and FY 1994 by unobligated balances from prior years.

FY 1995
MBRC PROGRAM DESCRIPTION

TRAVEL FUNDS (\$38K) -- The travel funds will allow the staff the ability to monitor and manage the various ongoing projects. Additionally, the funds will permit staff to participate in the various DBE related conferences and seminars relating to accessing contracting opportunities generated by the Department. The funds will also provide the necessary transportation for the MBRC Advisory Committee meetings and other activities located in various geographical locations throughout the Nation.

MINORITY UNIVERSITIES PROGRAM (\$1.6M) -- The funds would allow the participation of Historically Black Colleges and Universities (HBCUs) and Hispanic Association of Colleges and Universities (HACUs) in federally-sponsored programs within the Department. The HBCU program was restructured to have a more diversified impact on the minority community by fostering educational opportunities for students to become the next public and private sector practitioners and managers.

NATIONAL INFORMATION CLEARINGHOUSE (\$220K) -- The funds would allow the contractor to continue implementation of the NIC, including performing data application and maintenance of the OSDBU data base, generate automated reports and disseminate information in procurement opportunities to minority business entrepreneurs.

OUTREACH INITIATIVE (\$1M) -- This initiative was instituted to allow a contractor(s) the ability to market the department's grant and contract programs by increasing the level of awareness and participation by minority business entrepreneurs on the availability of the programs, services, and departmental procurement opportunities through proper utilization and management of print and broadcast media.

SPECIAL PROGRAM INITIATIVES (\$1.142M) -- This initiative is to increase the knowledge of MBEs/WBEs/DBEs in the Department's programs by increasing their participation in the DOT's procurement and financial assistance programs through agreements with minority chambers of commerce and trade associations.

SALARIES AND EXPENSES**OFFICE OF INTELLIGENCE AND SECURITY**

(\$ in thousands)

<u>Budget</u>	<u>FY 1993 Enacted</u>	<u>FY 1994 Enacted</u>	<u>FY 1995 Estimate</u>	<u>Difference from 1994 Enacted</u>
Permanent Positions	11	14	12	-2
Full-time Equivalents	11	14	12	-2
Personnel Compensation and Benefits	\$1,003	\$826	\$1,068	+\$242
Travel	\$52	\$40	\$53	+\$13
Other Costs	<u>\$152</u>	<u>\$134</u>	<u>\$96</u>	<u>-\$38</u>
Total	\$1,207	\$1,000	\$1,217	+\$217

The Office of Intelligence and Security was established in response to the President's Commission on Aviation Security and Terrorism, and is mandated by the Aviation Security Improvement Act of 1990. The Office was to "...address a common thread that ran throughout the Commission's review: the lack of focus on security responsibilities. Aviation security ... cannot be buried deep within the bureaucracy, isolated from the decisionmakers."

The Office of Intelligence and Security (OIS) remains a significant driving force in making substantial improvements to transportation security in the United States and abroad, and is critical to our national goal of protecting the traveling public from acts of terrorism. The Office ensures that the transportation industries' and the traveling public's security concerns are considered at the senior policy level. The Office is the Secretary's chief liaison to the intelligence and law enforcement communities, providing a critical focal point for all intelligence and security matters within the Department and ensuring that time sensitive information on all pertinent security issues is addressed at the highest departmental levels. OIS ensures the day to day operational activities and policy development in the Coast Guard and the FAA are consistent with long-term departmental and national security needs. While Coast Guard and FAA intelligence and security provide support for field level operations, this Office provides complementary policy level support, and liaison and coordination within DOT as well as with the broader intelligence community.

Changes in Resources

A net increase of \$242,000 above the 1994 enacted level for personnel compensation and benefits is required to fund the proposed staff grade levels, the FY 1995 non-discretionary base pay increases, and for a January 1995 pay raise estimated at 1.6 percent. A reduction of 2 permanent positions and Full Time Equivalents reflects efforts to streamline.

The magnitude of the increase in FY 1995 is driven by reductions in FY 1994. While the Office will drop 2 FTE in 1994 below planned levels, the FY 1994 enacted level is insufficient to cover salary costs. Funds are likely to be transferred into this Office in 1994. The FY 1995 request essentially maintains the FY 1994 estimated salary requirement (\$1058 K).

Replacement of the CIA liaison by a less senior CIA official resulted in the reduction of "Other Costs" by \$38,000. This position, provided for by the Aviation Security Improvement Act of 1990 to facilitate the direct flow of intelligence information from the CIA to the Department, provides critical information that benefits DOT activities far beyond that related to security.

Travel requirements are estimated at the FY 1993 level.

SALARIES AND EXPENSESTHE SECRETARIAL OFFICES (S)PERMANENT POSITIONS

	<u>FY 1994</u> <u>Enacted</u>	<u>FY 1995</u> <u>Request</u>	<u>Difference</u> <u>from 1994</u> <u>Enacted</u>
Office of the Secretary			
Professional	9	10	+1
Non-Professional	<u>4</u>	<u>4</u>	<u>--</u>
<u>Total</u>	<u>13</u>	<u>14</u>	<u>+1</u>
Office of the Deputy Secretary			
Professional	4	4	0
Non-Professional	<u>4</u>	<u>4</u>	<u>0</u>
Total	<u>8</u>	<u>8</u>	<u>0</u>
Executive Secretariat			
Professional	6	6	0
Non-Professional	<u>12</u>	<u>12</u>	<u>0</u>
Total	<u>18</u>	<u>18</u>	<u>0</u>
Contract Appeals Board			
Professional	4	4	0
Non-Professional	<u>2</u>	<u>2</u>	<u>0</u>
Total	<u>6</u>	<u>6</u>	<u>0</u>
Civil Rights			
Professional	15	20	+5
Non-Professional	<u>8</u>	<u>8</u>	<u>0</u>
Total	<u>23</u>	<u>28</u>	<u>+5</u>
Small and Disadvantaged Business			
Professional	11	11	0
Non-Professional	<u>4</u>	<u>4</u>	<u>0</u>
Total	<u>15</u>	<u>15</u>	<u>0</u>
Office of Intelligence & Security			
Professional	11	9	-2
Non-Professional	<u>3</u>	<u>3</u>	<u>0</u>
Total	<u>14</u>	<u>12</u>	<u>-2</u>
Total, Secretarial Offices			
Professional	65	69	+4
Non-Professional	<u>32</u>	<u>32</u>	<u>0</u>
Total	<u>97</u>	<u>101</u>	<u>+4</u>

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

RENTAL PAYMENTS

For necessary expenses for rental of headquarters and field space and related services assessed by the General Services Administration, [\$149,605,000] \$152,597,000. *Provided*, That of this amount, [\$3,262,000] \$1,986,000 shall be derived from the Highway Trust Fund, [\$37,114,000] \$40,797,000 shall be derived from the Airport and Airway Trust Fund, [\$576,000] \$619,000 shall be derived from the Pipeline Safety Fund, and [\$175,000 shall] \$181,000 be derived from the Harbor Maintenance Trust Fund: *Provided further*, That in addition, for assessments by the General Services Administration related to the Space needs of the Federal Highway Administration, [\$17,524,000] \$18,250,000, to be derived from "Federal-aid Highways", subject to the "limitation on General Operating Expenses." (*Department of Transportation and Related Agencies Appropriations Act, 1994.*)

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

RENTAL PAYMENTS

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993 actual	1994 est.	1995 est.
69-0117-0-1-407			
Program by activities:			
Direct program:			
00.01 Direct program	80,953	109,054	109,633
01.01 Reimbursable program	52,517	62,731	66,047
10.00 Total obligations	133,470	171,785	175,680
Financing:			
39.00 Budget authority	133,470	171,785	175,680
Budget authority:			
Current:			
40.00 Appropriation	80,472	108,478	109,014
40.20 Appropriation (special fund)	481	576	619
43.00 Appropriation (total)	80,953	109,054	109,633
Permanent:			
68.00 Spending authority from offsetting collections	52,517	62,731	66,047
Relation of obligations to outlays:			
71.00 Total obligations	133,470	171,785	175,680
72.10 Receivables in excess of obligations, start of year	---	(3,470)	---
74.10 Receivables in excess of obligations, end of year	3,470	---	---
77.00 Adjustments in expired accounts	(1,217)	---	---
87.00 Outlays (gross)	135,723	168,315	175,680
Adjustments to gross budget authority and outlays:			
Offsetting collections from:			
88.00 Federal funds	(3,470)	(22,180)	(23,083)
88.30 Trust funds	(49,047)	(40,551)	(42,964)
88.90 Total, offsetting collections.	(52,517)	(62,731)	(66,047)
89.00 Budget authority (net).	80,953	109,054	109,633
90.00 Outlays (net)	83,206	105,584	109,633

Summary of Budget Authority and Outlays
(in thousands of dollars)

	1993 actual	1994 est.	1995 est.
Enacted/requested:			
Budget Authority.	80,953	109,054	109,633
Outlays.	83,206	105,584	109,633
Rescission proposal:			
Budget Authority.	---	(1,781)	---
Outlays.	---	(1,781)	---
Total:			
Budget Authority.	80,953	107,273	109,633
Outlays.	83,206	103,803	109,633

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

RENTAL PAYMENTS

PROGRAM AND PERFORMANCE

Payments to GSA for headquarters and field space rental and related services for all modes are consolidated into this account. Federal Highway Administration and Maritime Administration rental payments will be paid by this account in 1995 through expenditure transfers from the Federal-aid highways and the Operations and Training account, respectively.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

RENTAL PAYMENTS

OBJECT CLASSIFICATION (in thousands of dollars)

Identification Code		FY 1993	FY 1994	FY 1995
69-0117-0-1-407		Actual	Estimate	Estimate
23.1	Rental payments to GSA.....	80,953	109,054	108,064
99.0	Reimbursable obligations.....	52,517	62,731	67,616
99.9	Total obligations.....	133,470	171,785	175,680

RENTAL PAYMENTS**DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY****SUMMARY STATEMENT
(\$ IN THOUSANDS)**

	FY 1993 Actual	FY 1994 Enacted	FY 1995 Request	Difference From FY 1994 Enacted
Budget Authority 1/	\$130,000	\$149,605	\$152,597	\$2,992

The FY 1995 budget continues a consolidated account for the Department's rental payments to GSA. The total request for non-MARAD is \$170,847,000. The budget proposes appropriation language which directs the reimbursement of \$18,250,000 from the FHWA LGOE account to the consolidated account. The request includes \$168,639,000 to pay for FY 1994 existing space at the FY 1995 rates.

The FY 1995 request of \$170,847,000 includes \$2,208,000 for critical FY 1995 space increases that are already in process with GSA.

- Approximately \$2,131,000 of the increase is for FAA regional office consolidation projects in Atlanta, GA and Plainview, NY.
- Approximately \$77,000 of the increase is to satisfy higher rates expected from renewal of lease expirations for NHTSA space in Atlanta, GA, Homewood, IL, San Francisco, CA and Lakewood, CO.

Proposed FTE reductions will not generate space reductions because the FTE reductions are not expected to be concentrated sufficiently to allow reductions.

The following table identifies these increases by Operating Administration.

- 1/ Budget Authority excludes reimbursement from MARAD (in FY 1993 \$3,470,000, in FY 1994 \$4,894,000 and in FY 1995 \$4,833,000) and FHWA (in FY 1994 \$17,524,000 and in FY 1995 \$18,250,000).

**FY 1995 GSA RENT
(IN THOUSANDS)**

MODE	FY 1995 BASELINE		FY 1995 INCREASES		FY 1995 TOTAL	
	SQ FEET	DOLLARS	SQ FEET	DOLLARS	SQ FEET	DOLLARS
OST	1,440	\$13,761	0	\$0	1,440	\$13,761
BTS	3	90	0	0	3	90
OIG	94	2,632	0	0	94	2,632
USCG	2,347	43,593	0	0	2,347	43,593
FAA	4,134	76,325	240	2,131	4,374	78,456
FRA	135	3,383	0	0	135	3,383
RSPA	77	2,381	0	0	77	2,381
SLSDC	6	181	0	0	6	181
NHTSA	155	4,663	0	77	155	4,740
FTA	109	3,380	0	0	109	3,380
SUBTOTAL	8,500	\$150,389	240	\$2,208	8,740	\$152,597
FHWA	987	18,250	0	0	987	18,250
TOTAL	9,487	\$168,639	240	\$2,208	9,727	\$170,847

DEPARTMENT OF TRANSPORTATION
 RENTAL PAYMENTS TO GSA - FY 1995
 (in thousands of dollars)

ADMINISTRATION	AMOUNT	HTF	A/ATF	HMTF	PSF	GF
NHTSA	4,740	1,896				2,844
FRA	3,383					3,383
FTA	3,380					3,380
FAA	78,456		40,797			37,659
CG	43,593					43,593
SLSDC	181			181		
RSPA	2,381				619	1,762
OIG	2,632					2,632
BTS	90	90				
OST	13,761					13,761
Subtotal	152,597	1,986	40,797	181	619	109,014
FHWA	<u>18,250</u>	<u>18,250</u>				
Subtotal	170,847	20,236	40,797	181	619	109,014
MARAD	<u>4,833</u>					<u>4,833</u>
TOTAL	<u>175,680</u>	<u>20,236</u>	<u>40,797</u>	<u>181</u>	<u>619</u>	<u>113,847</u>

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

For necessary expenses for conducting transportation planning research, and development activities, including the collection of national transportation statistics, and *systems development*, to remain available until expended, [\$9,232,000] \$9,665,000.
(*Department of Transportation and Related Agencies Appropriations Act, 1994.*)

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993 actual	1994 est.	1995 est.
69-0142-0-1-407			
Program by activities			
Direct program:			
00.01 Transportation policy and planning	3,214	3,297	2,873
00.01 Systems development	---	6,417	6,792
00.91 Total direct program	3,214	9,714	9,665
01.01 Reimbursable program	335	---	---
10.00 Total obligations	3,549	9,714	9,665
Financing			
17.00 Recovery of prior year obligations	(1)	---	---
21.40 Unobligated balance, start of year :			
Treasury balance	(955)	(482)	---
24.40 Unobligated balance, end of year			
Treasury balance	482	---	---
39.00 Budget authority (gross)	3,075	9,232	9,665
Budget authority:			
Current:			
40.00 Appropriation	2,740	9,232	9,665
Permanent:			
68.00 Spending authority from offsetting collections	335	---	---
Relation of obligations to outlays:			
71.00 Total obligations	3,549	9,714	9,665
72.10 Receivables in excess of obligations, start of year	(390)	(276)	
72.40 Obligated balance, start of year:			
Treasury balance	---	---	2,509
74.10 Receivables in excess of obligations, end of year	276		
74.40 Obligated balance, end of year:			
Treasury balance	---	(2,509)	(3,010)
77.00 Adjustments in expired accounts	(1)	---	---
78.00 Adjustments in unexpired accounts	(1)	---	---
87.00 Outlays (gross)	3,433	6,929	9,164
Adjustments to budget authority and outlays:			
88.00 Offsetting collections from:			
Federal funds	(335)	---	---
89.00 Budget authority (net)	2,740	9,232	9,665
90.00 Outlays (net)	3,098	6,929	9,164

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

PROGRAM AND PERFORMANCE

This appropriation finances those research activities and studies concerned with planning, analysis, and information development needed to support the Secretary's responsibilities in the formulation of national transportation policies.

The program is carried out primarily through contracts with other Federal agencies, educational institutions, nonprofit research organizations, and private firms.

Transportation policy and planning. -- This research supports the development of transportation policy, coordination of national level transportation planning, and such issues as regulatory modernization, energy conservation, environmental and safety impacts of transportation.

Systems Development. -- This activity funds system development of the departmentwide management systems. In FY 1993 and prior years, this activity was funded in Salaries and Expenses.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

TRANSPORTATION PLANNING, RESEARCH & DEVELOPMENT

OBJECT CLASSIFICATION (in thousands of dollars)

Identification Code	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
69-0142-0-1-407			
Direct obligations:			
Personnel compensation:			
11.1 Full-time permanent	1,983	1,785	1,849
11.3 Other than full-time permanent	142	181	187
11.5 Other personnel compensation	6	38	39
11.9 Total personnel compensation	2,131	2,004	2,075
12.1 Civilian personnel benefits	318	275	292
21.0 Travel and transportation of persons	0 18		
22.0 Transportation of things	5	155	155
23.3 Communications, utilities, and miscellaneous charges . . . . .		.....	.....
24.0 Printing and production	2	.....	.....
25.2 Other services	58	.....	.....
26.0 Supplies and materials	673	7,198	7,091
31.0 Equipment	9	19	16
	.....	63	36
99.0 Subtotal, direct obligations	3,214	9,714	9,665
99.0 Reimbursable obligations	335	.....	.....
99.9 Total obligations	3,549	9,714	9,665

FY 94 Other Services includes carryover (\$481,713)

Personnel Summary

Direct:			
1001 Total compensable workyears: Full-time equivalent employment.	31	28	26
Reimbursable:			
2001 Total compensable workyears: Full-time equivalent employment.	1	.....	.....

TRANSPORTATION PLANNING, RESEARCH, AND DEVELOPMENT

FY 1995 Request by Budget Activity and Major Program

	FY 1993 <u>Actual</u>	FY 1994 <u>Enacted</u>	FY 1995 <u>Estimate</u>	Diff. from FY 1994 <u>Enacted</u>
	(\$ in Thousands)			
Permanent Positions	18	16	14	-2-
Full-Time Equivalent	25	16	14	-2-
<u>Transportation Policy</u> <u>and Planning</u>	<u>\$3,214</u>	<u>\$2,815</u>	<u>\$2,873</u>	<u>-58</u>
A. Developing and Coordinating Regulatory and Economic Policy	198	350	595	+ 245
B. Developing and Coordinating International and Aviation Policy	175	445	200	- 245
C. Salaries and Administrative Costs	\$2,541	1,720	1,778	+ 58
D. WCF	300	300	300	- 0 -

JUSTIFICATIONOFFICE OF THE SECRETARY OF TRANSPORTATION PLANNINGRESEARCH AND DEVELOPMENT
(\$ in Thousands)TRANSPORTATION POLICY AND PLANNINGA. Developing and Coordinating Domestic Transportation
Regulatory and Economic Policy (\$595K)

Regulatory Objectives: To maintain a continuing assessment of the safety, financial condition, and legislative and regulatory impact on components of the nation's private transportation sector, including manufacturers, carriers, shippers, and suppliers. To assess the safety of transportation operations by public sector entities, including human factors aspects. To conduct extensive study and analysis in order to develop additional information to support the rules required by the Americans with Disabilities Act, to defend against adverse litigation, and to consider desirable future regulatory amendments and their cost estimates to fully implement the Act. To estimate the impacts of global climate change on the transportation system and develop broad policy options for adaptation measures. To assess the adequacy of funding levels and process for air-quality related transportation programs.

Accomplishments: Led DOT analysis and development of major legislation affecting trucking, household goods, coal pipelines, intermodal shipping, and rail and bus regulatory reform; monitored the impacts of these and other legislation on the trucking, rail and airline industries and their users; and monitored structural changes in the intercity bus industry. Analyzed costs imposed by state economic regulation of interstate trucking. Developed policy initiatives to improve numerous aspects of transportation safety and monitored the implementation of those initiatives by regulatory action. Regulations covered all transportation modes, including safety belts and airbags for automobiles, front wheel brakes for trucks, commercial vehicle driver licenses, aircraft cabin flammability, aviation terminal control areas, automatic train control devices and post-accident drug and alcohol testing. Developed several regulatory impact analyses estimating the cost of the Department's proposed regulations implementing the Americans with Disabilities Act.

Economic Objectives: To identify current and emerging transportation policy issues that require decisions by top management; to analyze their economic and

institutional implications; and to develop program recommendations. To be particularly concerned with: (1) the character and impact of Federal financial assistance, investment in and regulation of public transportation facilities and services, trust funds, and user charges; and (2) the economic efficiency of the national transportation system, energy, environmental, and other issues involving the relationship of transportation policy to national economic goals and community development.

Accomplishments: The U.S. Department of Transportation transmitted to the Congress a report entitled, Transportation Implications of Telecommuting. The report was called for by the 1992 DOT Appropriations Act which required the Department of Transportation to conduct a study of telecommuting in consultation with the Department of Energy and the Environmental Protection Agency. The study evaluated the advantages and disadvantages of telecommuting and explores its potential for producing widespread benefits, such as enhancing safety and reducing congestion, air pollution, and energy consumption.

The study concluded that telecommuting is now being practiced on a substantial and rapidly increasing scale. The number of telecommuters was forecasted to grow from 2 million in 1992 to between 7.5 and 15.0 million by 2002. It also suggested that over the next decade telecommuting has the potential to provide substantial public benefits in reducing congestion, air pollution, traffic accidents, and energy consumption. The study cautioned, however, that the emergence of latent travel demand could diminish congestion and air quality benefits. Telecommunication services and equipment were considered to be adequate for most current applications of telecommuting, but high-bandwidth capabilities would be useful now and will be needed in the future.

A study was completed on the Economic Performance of Light Rail Transit Systems that was conducted under the European Conference of Ministers of Transport's (ECMT) Urban Transport Coordinating Group. The report reviews the reemergence of light rail transit as an urban transportation option in recent years and evaluates case studies in a number of cities in ECMT member countries.

The Department was represented on the Task Force chaired by the General Services Administration (GSA) to establish three telework sites in the Washington, D.C. region. In September 1992, Congress authorized \$5 million to establish these sites in Northern Virginia, Southern Maryland and the Eastern Shore. These sites would service Federal employees as well as other State and local agencies and the private sector.

Participation in the Federal Infrastructure Strategy program as a member of the Strategic Investment Task Force has continued. This is the third phase of the program which is being conducted by the Advisory Commission on Intergovernmental Relations (ACIR) under a contract from the Corps of Engineers.

The National Information Infrastructure Working Group is being monitored by the Department. This Working Group is one of several groups that are designed to address implementation of the Administration's Technology Policy.

We are participating on the interagency Clean Car Technology Initiative Task Force. Goals of the task force are to foster cooperation by the auto industry, the fuel industry, government and universities to solve auto related environmental, energy security, safety, congestion and other problems, and by doing so, to revitalize the U.S. domestic auto industry and to provide positive impacts on U.S. jobs and economic growth.

Policy is monitoring the implementation of the Energy Policy Act of 1992 (EPACT). The legislation has a number of provisions for which the Department has the lead, and others in which the Department is required to participate with other agencies. Provisions include mandated shifts of Federal, state, municipal and private vehicle fleets to non-petroleum alternative fuel vehicles; an increase in allowable employer provided tax free transit benefits to \$60 monthly, and a change to make employer provided parking benefits taxable over \$155 per month; funding for electric motor vehicle demonstrations; a study of the safety impacts of right turn on red; a study of CAFE standards and other mechanisms for reducing greenhouse gases. We are cooperating with the Department of Energy in implementing the legislation and working with other offices in the Office of the Secretary and the Modal Administrations.

Final rules were issued for airline-owned computer reservation systems (CRSs). The rules were originally scheduled to expire on December 31, 1990. However the Department determined that stronger rules were necessary to enhance competition in the CRS and airline industries. The rules, among other things, deal with display bias, equal functionality, vendor participation

in other CRSs, vendor-subscriber contracts, billing information, marketing information, and third-party hardware and software.

Several major assignments were undertaken on the financial and competitive condition of the airline industry. For example, we prepared an analysis of how proposed changes to federal tax laws would affect the industry's financial condition; we assessed how one proposed aircraft loan guarantee program would affect federal tax revenues; we analyzed the financial condition of several airports, including what constituted a reasonable rate of return on invested capital; and we studied how certain airline assets, such as the value of airport slots, are treated from an accounting perspective.

FY 1995 PROPOSED STUDIES

Assessment of Compliance Cost and Cost Effectiveness of Air Carrier Access Act Rule Amendments to Improve Air Transportation for Persons With Disabilities (\$150K)

In March 1990, the Department of Transportation issued its regulation implementing the Air Carrier Access Act of 1986. That Act prohibits discrimination on the basis of handicap by air carriers. The DOT regulation implementing that Act: (1) limits conditions which allow carriers to refuse transportation to persons with disabilities; (2) identifies actions carrier must take to ensure that new air craft accommodate the needs of persons with disabilities; (3) describes services and accommodations that carriers must provide to such passengers; and (4) sets forth certain administrative provisions carriers must follow to ensure that the services they provide, to the extent feasible, accommodate the special needs of persons with disabilities.

At the time DOT published its Air Carrier Access Act rules in March 1990, staff recognized that further rulemaking would be necessary to implement certain provisions of the Act. Accordingly, as a part of the Air Carrier Access Act final rule package, the Department published a supplemental notice of proposed rulemaking (SNPRM) concerning standards for boarding chairs, airport terminal transportation systems and substitute service for situations in which passengers cannot obtain transportation on inaccessible small aircraft.

Currently, an advance notice of proposed rulemaking (ANPRM) requested additional data on lifts for small aircraft, accessible lavatories in narrowbody and smaller aircraft, and additional accommodations for persons with hearing impairments.

A notice of proposed rulemaking (NPRM) to amend the Department's Section 504 regulation pertaining to federally-assisted airports was also published. The NPRM would make airport facilities, under the control of air carriers, subject to the same accessibility standards as those facilities under the jurisdiction of airport operators who receive federal-financial assistance. Second, it would set forth accessibility requirements for inter-terminal transportation systems (e.g. inter-terminal vans or buses, electric carts used for transportation within terminals, and moving sidewalks. It would require airport operators to settle, in their contracts or leases with carriers, issues of who is responsible for compliance with accessibility requirements.

The Department intends to do further rulemaking addressing each of the above issues. This study will consist of tasks that would quantify, to the fullest extent possible, the actual costs to carriers and airport operators of complying with new regulatory requirements. The findings will be used to determine the extent of the regulatory burden on all parties concerned and to assess the cost effectiveness of newly imposed requirements.

Report to Congress on Transportation and Air Quality Planning
(\$75K)

Objectives: To develop the second report to Congress on the adequacy of air quality-related transportation programs, due January 1, 1996. This joint DOT-EPA report is required by the Clean Air Act Amendments of 1990. This report will require extensive analysis of the transportation planning process and projects funded under the Intermodal Surface Transportation Efficiency Act. It is anticipated that DOT will need to contract for much of the data gathering and analysis. The report is to address: 1)existing state and local air quality-related transportation programs, and the adequacy of funding for transportation projects called for by the state air quality implementation plans; 2)the extent to which DOT programs and budget will achieve the goals of the Clean Air Act; 3)recommendations for changes to programs and budget levels; and 4)a summary of actions taken to implement recommendations of earlier reports. The report will be useful as input to Administration proposals for the next surface transportation legislation (ISTEA authorization ends in FY 97).

The first report to Congress, due January 1, 1993, is being developed jointly by Policy, FHWA, FTA and the Environmental Protection Agency. The Policy Office needs to contribute FY 1995 funds and oversight for preparation of the second report, due January 1, 1996. FHWA, FTA and EPA are also be expected to contribute to the 1996 report. The 1996 report will require more extensive analysis of programs and projects implemented under the ISTEA and the Clean Air Act.

Milestones:

- o Transfer 1995 funds to FHWA as soon as available.
(In addition to FY 1995 funds, Policy contributed XX [\$100 K requested by P-10] for FY 1994 and expects to need \$25 K in FY 1996, as available, for completion of the report.)
- o Assign P representative to FHWA oversight staff at time of transfer.
- o Completion target November, 1995.
- o Submit to Congress January 1, 1996.

Transportation Strategies for the Future

(\$170K)

Major changes are occurring in the economy, technology, development patterns, demographic diversity, institutional arrangements, environmental quality, and energy utilization. Many of these changes are likely to have significant effects on the use of transportation and the manner in which it will need to be supplied in the future. There is a need to reassess the role of transportation in society and the changes that will need to be made in the future if it is to continue to fulfill its role in supporting the economy and other objectives set for it.

It is becoming apparent, particularly in some high density intercity corridors, that air, rail and highway facilities can be substitutes in meeting the demand for service. Planning for intercity transportation improvements, however, continues to be structured along modal lines; this project is intended to begin to correct this problem.

This project will identify the economic, technological, and societal changes with a potential impact on transportation. These changes will be evaluated and supplemented by a panel experts in a wide variety of fields. In addition, the possible effects on transportation will be identified, and the policy and program changes that may be needed will be developed.

Transportation Energy Efficiency

(\$100K)

Environmental and global warming commitments and statutory requirements will put increasing pressure on transportation energy use, into the foreseeable future. There will be a need for technological and operational advances in transportation energy efficiency, to meet these commitments.

This study would include four tasks: (1) a quantitative analysis, by transportation mode, of trends in energy efficiency, measured in ton miles or passenger miles per gallon of fuel, over the past 20 years; (2) a corresponding analysis of the factors responsible for the changes in energy efficiency of the transportation modes over the same 20 year period, including an examination of the importance of fuel costs in total modal costs, over the period; (3) a critical review of the literature on new approaches to improving modal energy efficiency, with particular emphasis on reviewing the approaches in terms of environmental, economic and mobility goals, as well as energy efficiency; and (4) delineation of research needs to fill data and analytical gaps discovered in the course of the first three tasks.

Financial Status of the Transportation Industries

(\$100K)

The recent recession, changing traffic patterns, and other economic and structural factors have led to a serious deterioration in the financial condition of several transportation industries. The National Commission to Ensure a Strong

Competitive Airline Industry is evaluating the financial status of that industry and will issue recommendations to improve its financial performance.

Other industries experiencing serious financial problems include trucking, intercity bus, and intercity rail (Amtrak). These industries have often called for changes to existing federal regulations, labor policies, and tax laws to make them more competitive and financially viable. In addition, proposed changes in federal policy, such as the North American Free Trade Agreement, will have important implications for the transportation sector.

The Department is often called upon to present its views on these important issues. However, to be informed on the nature and seriousness of the problem, we need to undertake additional research on the economic and financial problems affecting these industries. Among the issues to be studied include: the financial condition of select firms, sources and uses of funds, labor policies, industry costs, and domestic and international competition.

B. Developing and Coordinating International and Aviation Policy (\$200K)

Objectives: Provide Departmental leadership on international transportation issues and assess their economic, financial, technological and institutional implications for U.S. transportation carriers and trade potential. Define and execute the international transportation policies of the United States. Promote and defend the interests of U.S.-flag air and maritime carriers operating internationally and the related interests of land carriers. Provide for the development of competitive international transportation services responsive to the needs of passengers, of shippers and consignees of goods, and of their communities. The Office is also responsible for analyzing the long-term consequences of emerging public and private sector transportation issues and trends as well as proposing policy responses and initiatives.

Accomplishments: As Chair of the Transportation Facilitation Committee (TFC) the Office has continually supported the implementation and expansion of the Advance Passenger Information System, encouraged development and implementation of new technologies and techniques for inspecting arriving international passengers, promoted improvements to preclearance programs, supported expansion of the visa waiver program, and strongly supported expansion of the use of electronic data interchange for handling cargo and passenger documentation. Each of these initiatives is contributing to speeding the processing of international passengers and cargo into and out of the United States.

The Asia-Pacific Economic Cooperation (APEC) group was established in 1991, to undertake programs to facilitate trade and travel among the Pacific Rim countries. There are now fourteen member economies participating in this body. APEC has established a number of working groups one of which is the Transportation Working Group (TWG). The focus of the TWG is to facilitate transportation and travel throughout the region. The U.S. Departments of State and Transportation co-chair the TWG and DOT also acts as the Secretariat to that group. DOT expects to continue active involvement in the TWG beyond 1995.

DOT has provided staff assistance to the Office of the United States Trade Representative (USTR) on tariff acceleration negotiations under the U.S.-Canada Free Trade Agreement. The negotiations involved transportation issues such as rail equipment and ship repairs. It is envisioned that similar assistance would be required on trade issues under the NAFTA, if it is approved. Tariff acceleration negotiations under an approved NAFTA could begin as early as fall 1994; and would likely alternate between Washington and Mexico.

FY 1995 PROPOSED STUDIES

Analysis of the Transportation Impact
of the North American Free Trade Agreement

(\$80K)

To update the baseline data for the analysis of the impact on Mexico and the United States of the removal of legal barriers to truck and bus operations in each other's country.

As a result of successful completion of negotiations on the North American Free Trade Agreement (NAFTA), and assuming Congressional approval of the agreement, over a ten year period existing reciprocal restrictions on the transport of cargo and goods into the two countries will be removed. One of the elements of the land transportation provision is a review after five years to determine the impact of access and investment liberalization. This review is intended to determine the effectiveness of gradually increasing access; its effect on, for example, market share, rates, service, and technological advancement; and any problems or unanticipated effects. The findings of this review could result in modifications to the schedule of the removal of legal barriers.

In FY 94, this project established a baseline economic scenario and the analytic framework for this continuing process in order to ensure that we have independent statistics to compare with those to be generated by the Mexican Government. With the first steps of cross-border liberalization taking place on January 1, 1994, the continuation of this ongoing project in FY 95 will begin the comparison with the baseline scenario.

Competition in the Global Aviation Environment

(\$70K)

The pace of change in world civil aviation continues to accelerate as coexistence becomes more difficult between the inefficient, protected airlines of some nations and the entrepreneurial airlines of the United States and other procompetitive countries. The United States' domestic deregulation and adoption of a procompetitive policy in our relationships with aviation partners abroad have evoked varied responses. France has renounced its aviation agreement with us in order to control the degree of competition, and even those countries that agree with us in principle have been selective in embracing procompetitive practices. Others, such as Canada and the United Kingdom, which have resisted liberalizing influences in the past, now have entered broad liberalization talks with the United States that could produce "open-skies" regimes, and the Department has proposed open-skies with all European countries.

Meanwhile, many foreign airlines have grown and now present a much stronger competitive challenge to the U.S. air transportation industry. European economic integration, which in aviation may eventually encompass not only the EC but also members of the European Free Trade Area (EFTA) in a broader European Economic Area (EEA), will present enormous challenges and opportunities

which we must be prepared to meet. European integration could, as we hope, have a liberalizing effect, or it could create an economic "Fortress Europe," but we must evaluate both possibilities. Developments in other world regions will equally test traditional aviation tenets.

Because we are on the threshold of such a dramatically altered international competitive environment for U.S. airlines, we must refine our international aviation policy in light of these developments. We must determine strategically how to implement our procompetitive objectives. To execute our policy effectively, the Department must carry on comprehensive examination of the international aviation competitive environment. The Department proposes to analyze and evaluate these developments and their implications for U.S. aviation policy. This will require extensive research and reconciliation of diverse international data sources as well as modeling of alternate scenarios to produce meaningful results.

Since 1993, the proliferation of transnational airline investments throughout the world has underscored the need for this strategic evaluation. Further developments have demonstrated the need for substantial resources dedicated to the proposed area of inquiry. For example, liberalization talks are well underway with Canada and the United Kingdom, and Europe is moving inexorably toward aviation integration.

A Study of the Different Operating and Marketing Strategies in Domestic Markets of the Major U.S. Airlines and the Consequences for Competition in the Future. (\$50K)

Since the mid-1980's, domestic air service has been dominated by large hub-and-spoke systems of service. Very recently, three major trends have created new competitive pressures for these large airlines. Together with the economy, these trends have been an important factor in the airline industry's recent poor financial performance, and the large airlines are now in a position where they need to devise competing strategies.

The three trends are (1) the rapid growth of low cost point-to-point service at prices so low the large airlines cannot effectively compete, (2) the reemergence of a number of new entrant airlines which are trying to develop a range of new operating and pricing strategies for competing with the established airlines, and (3) the development of code-share and other cooperative arrangements by several domestic airlines with foreign-flag carriers.

This study will identify competitive strategies that appear to be emerging, ascertain the likely effects on the airline industry cost, price and operating structures, and evaluate the likely effects on competition.

Salaries and Administrative Costs

\$1,778K

Proposed: To accomplish the policy objectives of the TPR&D research budget, a total of \$1,778,000 is requested for salaries and Administrative costs. For personnel compensation and benefits the request is \$1,708,000 a net increase of \$50,000. The request includes \$136,000 to fund non-discretionary base pay increases, and \$21,000 for the January 1995 pay raise estimated to be 1.6 percent. Increases are off-set by a reduction of \$103,000 and 2 FTE's and will be achieved through attrition. Administrative funds of \$70,000 are requested for: travel (\$30,000) to monitor the progress of the projects and studies by contractors and to gather data on transportation issues of various transportation industries; supplies (\$10,000) and computer equipment (\$30,000).

D. Payments to WCF

\$300K

Payments to Working Capital Fund for Administrative support costs.

TRANSPORTATION PLANNING RESEARCH AND DEVELOPMENT

SYSTEMS DEVELOPMENT
(\$ IN THOUSANDS)

	FY 1993 Actual	FY 1994 Enacted	FY 1995 Request	Difference From FY 1994 Enacted
Permanent Positions	4	8	8	0
Full-Time Equivalents	7	8	8	0
Personnel Comp. & Benefits	\$498	\$629	\$659	\$30
Travel	77	125	125	0
Other Costs	3,575	5,663	6,008	345
Total	\$4,150 1/	\$6,417	\$6,792	\$375

1/ In FY 1993 appropriated in Salaries and Expenses, Administration.

SUMMARY

The FY 1995 request for Systems Development is \$6,792,000, 8 positions and 8 Full-Time Equivalents for continued development and implementation of the Department's Integrated Personnel and Payroll System (IPPS).

PROGRESS TO DATE

The Department currently has in excess of 113 nonstandard, often redundant financial systems. OST established the Integrated Financial Management System (IFMS) program as the Department's vehicle to plan for and develop an integrated financial systems environment. IFMS will allow the Department to meet the financial system requirements of the CFO Act and OMB Circular A-127, "Financial Management Systems."

Development and implementation of the IPPS are critical to the IFMS strategy and will correct immediate systems problems in accounting, personnel, and payroll and introduce a proactive business approach to streamline financial processes.

High priority must be given to completion of IPPS that was begun in FY 1992. The IPPS development strategy provides a controlled, limited risk approach for the Department. Concurrent development will address material deficiencies quickly and provide new capabilities, in increments, over the life of the project. The Department will build on the best features of existing systems, dramatically improve system functions and take advantage of new technology. By the end of FY 1995, significant benefits will be realized through implementing an integrated data base that provides improved data access and reporting capabilities; improving front-end processing for time and attendance, personnel action and training requests; and developing substantial portions of personnel and payroll processing capabilities that will eventually lead to eliminating the current non-integrated systems. IPPS is expected to be developed and fully implemented by the end of FY 1996.

INTEGRATED PERSONNEL AND PAYROLL SYSTEM (IPPS)

IPPS is a major component of the Department's integrated financial management systems program. FY 1995 represents the fourth year of a projected five year development project to correct identified material deficiencies by integrating and improving existing systems capabilities.

The Department's existing personnel and payroll systems support approximately 71,240 DOT and 388 National Transportation Safety Board civilian employees. Annually, the payroll system disburses \$3.5 billion. Both systems were developed in the 1970's and were established as departmental systems in 1980. They operate in a non-integrated manner using old, antiquated software and, in the case of the personnel system, a data base management system that is not commercially supported. As a result, both systems are materially deficient and prone to failure because they are difficult to change; lack the major features to provide adequate user information and support; don't contain consistent information; are experiencing increased operating costs; do not support labor cost distribution; result in duplicate efforts between the personnel and payroll communities; and provide an environment that does not attract quality personnel needed to support these most critical functional areas.

Conversion to an integrated personnel and payroll system will provide DOT with improved management controls thereby reducing departmental vulnerability and eliminating the reported material internal control weaknesses. It will also improve system maintainability and the quality, timeliness and ease of customer access to information. By-products include increased personnel, payroll and accounting staff productivity; reduced automated data processing costs for personnel and payroll system maintenance; and the elimination of 12 nonstandard systems with their associated costs. As required by the Chief Financial Officers (CFO) Act of 1990, integration with other financial systems including the Department's core accounting system is also being accommodated.

A funding level for FY 1995 of \$6,792,000 is requested. The \$30,000 increase in personnel compensation and benefits includes \$8,000 for the January 1995 pay raise and \$24,000 for annualization of FY 1994 and new FY 1995 within-grade increases offset by a reductions of \$2,000 for one less pay day. For contractual services an increase of \$345,000 over the President's Budget is reflected. The \$6,792,000 requested IPPS development funding will be used to:

- o complete the automation of functions involving personnel requests, training requests, time and attendance collection and reporting, and personnel management reports (Phase 2);
- o continue the development of personnel functions, relating to authorized positions, classified positions, personnel processing, evaluations, incentive awards, SF-50 processing, non SF-50 updates, Civil Rights, personnel security, and mass changes (Phase 3); and
- o initiate the development of the payroll functions, including pay calculations, supplemental pay calculations, and related reporting (Phase 4).

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

OPERATIONS AND RESEARCH-OCST

For necessary expenses for operations and research activities related to commercial space transportation, [\$4,700,000] \$6,541,000, of which [\$1,500,000] \$4,278,000 shall remain available until expended: [*Provided, That notwithstanding any other provision of law, there may be credited to this account up to \$200,000 received from user fees established for regulatory services.*] (*Department of Transportation and Related Agencies Appropriations Act, 1994.*)

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

OPERATIONS AND RESEARCH - OCST

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993 actual	1994 est.	1995 est.
69-0108-0-1-407			
Program by activities			
Direct program:			
00.01 Operations	2,851	3,722	4,678
00.02 Research	<u>1,290</u>	<u>1,382</u>	<u>1,863</u>
00.91 Total direct program	4,141	5,104	6,541
01.01 Reimbursable program	---	200	200
10.00 Total obligations	4,141	5,304	6,741
Financing			
17.00 Recovery of prior year obligations.	(9)	---	---
21.40 Unobligated balance available start of year :			
Treasury balance.	(301)	(404)	---
24.40 Unobligated balance available, end of year:			
Treasury balance.	404	---	---
25.00 Unobligated balance expiring	<u>15</u>	<u>---</u>	<u>---</u>
39.00 Budget authority (gross)	4,250	4,900	6,741
Budget authority:			
Current:			
40.00 Appropriation	4,250	4,700	6,541
Permanent:			
68.00 Spending authority from offsetting collections	---	200	200
Relation of obligations to outlays:			
71.00 Total obligations	4,141	5,304	6,741
72.40 Obligated balance, start of year :			
Treasury balance.	1,910	1,914	2,307
74.40 Obligated balance, end of year :			
Treasury balance.	(1,910)	(2,307)	(2,758)
77.00 Adjustments in expired accounts	(12)	---	---
78.00 Adjustments in unexpired accounts	<u>(9)</u>	<u>---</u>	<u>---</u>
87.00 Outlays (gross)	4,116	4,911	6,290
Adjustments to gross budget authority and outlays:			
88.40 Offsetting collections from Non-Federal sources	---	(200)	(200)
89.00 Budget authority (net)	4,250	4,700	6,541
90.00 Outlays (net)	4,116	4,711	6,090

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

OPERATIONS AND RESEARCH-OCST

PROGRAM AND PERFORMANCE

This appropriation finances regulatory activities, research and development, and studies needed to carry out the Secretary's responsibilities as defined in Executive Order 12465 to encourage, facilitate, and promote commercial space launches by the United States private sector and to license and regulate commercial launches, launch site operations, and certain payloads under the Commercial Space Launch Act (Public Law 98-575).

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

OPERATIONS AND RESEARCH - OCST

OBJECT CLASSIFICATION (in thousands of dollars)

Identification Code	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
69-0108-0-1-407			
Direct obligations:			
Personnel compensation:			
11.1 Full-time permanent.....	1,252	1,576	1,855
11.3 Other than full-time permanent.....	17	28	30
11.5 Other personnel compensation.....	26	23	23
11.9 Total personnel compensation.....	1,295	1,627	1,908
12.1 Civilian personnel benefits.....	268	300	355
21.0 Travel and transportation of persons.....	63	80	125
25.1 Consulting Services.....	385	860	860
25.2 Other services.....	2,130	2,237	3,293
99.0 Subtotal, direct obligations.....	4,141	5,104	6,541
99.0 Reimbursable obligations.....	0	200	200
99.9 Total obligations.....	4,141	5,304	6,741
FY 94 Other Services Includes unobligated balances (\$404,128). Reimbursable obligations are Other Services.			

Personnel Summary

1001 Total compensable workyears: Full-time equivalent employment.....	23	26	29
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OPERATIONS AND RESEARCHSUMMARY STATEMENT

The OPERATIONS AND RESEARCH appropriation finances the functions of the Office of Commercial Space Transportation. The FY 1995 request is \$6,541,000. The main categories of this request are: \$2,263,000 for personnel expenses to fund annualization of FY 1994 staff increases and base pay increases, including a January 1995 pay raise estimated to be 1.6 percent, and a staff increase of 3 FTE in support of the licensing program and policy analysis; \$125,000 to fund travel requirements; \$4,153,000 for research and safety contracts. Additionally, the request includes \$200,000 in licensing user fees.

OPERATIONS AND RESEARCH

OFFICE OF COMMERCIAL SPACE TRANSPORTATION (OCST)
(dollars in thousands)

	FY 1993 <u>ACTUAL</u>	FY 1994 <u>ENACTED</u>	FY 1995 <u>REQUEST</u>	<u>DIFFER.</u>
PERMANENT POSITIONS	24	27	33	+6.0
FULL-TIME EQUIVALENTS	23	26	29	+3.0
PERSONNEL COMPENSATION AND BENEFITS	\$1,563	\$1,927	\$2,263	+\$ 336
TRAVEL	\$ 63	\$ 80	\$ 125	+\$ 45
CONTRACTS AND OTHER				
PROGRAM COSTS:	\$2,515	\$2,893	\$4,353	+\$1,460
A. Vehicle & Safety Operations	\$ 936	\$1,469	\$2,200	+\$ 731
B. Regulatory & Safety Analysis	\$1,128	\$ 952	\$1,425	+\$ 473
C. Domestic Policy Analysis	\$ 363	\$ 337	\$ 500	+\$ 163
D. International Trade Monitoring & Policy Analysis	\$ 73	\$ 68	\$ 150	+\$ 83
F. Program Affairs	\$ 15	\$ 67	\$ 78	+\$ 11
TOTAL BA	\$4,141	\$4,900	\$6,741	+\$1,841
USER FEES	[\$ 0]	[\$ 200]	[\$ 200]	[+\$ 0]
ADJUSTED BA	\$4,141	\$4,700	\$6,541	+\$1,841

The duties of the Office of Commercial Space Transportation are to carry out the Department's responsibilities defined in the Commercial Space Launch Act, as amended; Executive Order 12465; and the National Security Decision Directive on National Space Policy. These responsibilities include regulating U.S. private sector commercial space launch activities to protect public safety and other important national interests, as well as encouraging, facilitating, and promoting such activities. The 1990 amendments to the Commercial Space Launch Act expanded the Department's role in facilitating the strengthening and expansion of U.S. space transportation infrastructure, as well as launch site support facilities, including the promotion of public-private partnerships involving the Federal Government, State governments, and the private sector to build, expand, modernize, or operate space launch infrastructure. OCST supports the Department in its role as the Administration's primary agency for Federal commercial space transportation policy. The Office of Commercial Space Transportation (OCST) is committed to the goal of a safe and internationally competitive commercial space transportation industry. Its regulatory approach is designed to allow the industry flexibility to achieve safe operations in the most efficient means possible.

OCST is composed of three program divisions: Licensing and Safety, Commercial Space Policy and International Affairs, and Program Affairs. These three divisions work together to provide a licensing and regulatory framework to protect public health and safety and ensure that national security and foreign policy interests of the U.S. are not jeopardized by commercial space launch operations, and a policy that encourages and facilitates (or supports) private sector participation in commercial launch activity. In addition, the OCST strives for the promotion of commercial space transportation. The divisional structure permits OCST to maintain a distinct separation between its regulatory and promotional roles.

President Clinton, in his FY 1994 budget address, stated:

"The world is changing so fast that we must have aggressive, targeted attempts to create the high-wage jobs of the future. That's what all our competitors are doing. We must give special attention to those critical industries that are going to explode in the 21st century, but that are in trouble in America today, like aerospace."

Under the Commercial Space Launch Act of 1984, as amended, OCST encourages, promotes, and facilitates the U.S. commercial space transportation industry. OCST promotes activities that provide U.S. employment, income, and exports in a growing, high-tech market. The existence of a commercial space transportation industry, as fostered by OCST, also results in economies of scale which reduce cost, improve resiliency, and increase reliability

of launching payloads for the U.S. Government, the primary customer of the domestic launch industry.

The economic stakes are enormous. The U.S. share of the worldwide market for commercial space launches to geosynchronous (GEO) orbit has declined from 100% in 1980 to less than 40% in 1992-93. OCST forecasts an annual average of 10-15 GEO launches for the next several years, with formidable competition from Europe, China, and Russia.

Largely as a consequence of the burgeoning commercial space industry, OCST's workload has increased measurably and changed radically over the last several years. Despite the increase in its workload, the Office has had the same personnel level since 1991 and little growth in contract resources. At its inception in 1989, the commercial launch industry had only several types of launch vehicles at its disposal. Federal supervision by the Department of Transportation of the industry's first years of launch activity was made easier by the fact that companies were launching proven vehicles from government range facilities, using vehicles and following procedures established under the auspices of NASA and the Air Force, and procuring range safety and tracking services from the Government. During the past several years, the industry has been undergoing a gradual transformation. Compared with the basic three industry workhorse vehicles that OCST was regulating in 1989--Atlas, Delta, and Titan--by the end of FY 1994 OCST's licenses and oversight covered a number of additional vehicles, some of which were flying for the first time. In 1991, OCST began its first design review to ascertain the safety of a vehicle embodying new technology in a totally new application with similar reviews expected in FY 1995.

The first two licensed commercial launches occurred during FY 1989. Four years later (through December 1993), OCST has overseen 37 launches. Some of these launch attempts constituted the first attempted launch of a particular vehicle. OCST has regulated launches from Vandenberg Air Force Base, California; Cape Canaveral, Florida; White Sands, New Mexico; and Barking Sands, Hawaii. In accordance with the Commercial Space Launch Act as amplified in the amendments of 1988, OCST had set insurance requirements for approximately 16 different vehicles operating at seven or more launch sites. Eight commercial launch attempts (including 6 successful and 2 unsuccessful launches) were made in FY 1992. These unsuccessful launches resulted in OCST's participation in 2 investigations. (Safety integrity was determined not to be compromised by any of the seven launch failures that occurred through September 1992.) The U.S. Commercial Launch Manifest, as of February 1994, showed a total of 48 launches and reentry events already booked for the next several years.

By FY 1993, state and private sector initiatives for commercial launch sites drove the need for OCST analysis directed at safety-related requirements. The Air Force Dual Use Launch Facility Grant Program, which is part of a long-term investment effort to modernize the nation's space related infrastructure, awarded grants to spaceport related proposals in four different states. As a result of that funding, these states were able to accelerate their efforts in the development of those commercial launch sites meeting OCST's licensing requirements. Also in 1993, in compliance with the National Environmental Policy Act, OCST directed a joint Environmental Impact Statement with the State of Hawaii for a proposed commercial launch facility. In 1994, the commercial industry is planning the first ever U.S. land recovery of an orbital reentry (COMET) spacecraft. OCST had begun a design review to ascertain its safety and studied proposed reentry vehicle landing sites at White Sands, New Mexico, and sites in other states. Relative to the outer space environment, OCST continued safety analysis and worked jointly with NASA and DOD to review options for reducing orbital debris.

In order to keep pace with a growing demand for licenses for launch and related operations, OCST shifted the focus of its licensing process from individual launches to longer-term launch programs by issuing three *launch operators* licenses. This allowed DOT to maintain a high level of safety while facilitating the licensing process, reducing the paperwork burden on the industry, reducing the number of applications handled by the Office, and providing more efficient regulation of the complete spectrum of activities covered by the Commercial Space Launch Act, as amended. In late FY 1991, OCST established regulations for user fees for license applications and launches, and has applied collected fees to OCST's licensing operation. (Fees were subsequently curtailed due to legislation prohibiting their collection without specific authorization.) OCST plans to submit authorization legislation shortly in support of the 1994 and 1995 budgets.

CHANGES IN RESOURCES

Personnel Compensation and Benefits

For FY 1995, a total of \$2,263 thousand in personnel compensation and benefits is required to annualize the FY 1994 staff increases, a January 1995 pay raise at 1.6 percent, normal within-grade pay increases, and additionally fund the requested increase of 3 FTE (6 positions for one-half year). The requested staff increase is 5 positions/2.5 FTE for engineers or other technical specialists to support the commensurate increase in licensing activities and regulatory and safety analysis. This increase in staff is necessary because of the volume of complex technical issues with which the Department must now address. Also, 1 position/0.5 FTE is requested to aid in the

identification and assessment of commercial space transportation needs and priorities.

A report by the National Academy of Public Administration (NAPA) recommended that OCST perform a work measurement study to determine staffing requirements. The recommended study, completed by an independent management consultant in October 1993, concluded that the licensing and regulatory function of OCST will require an average technical staff per year for FY 1994 through FY 1996 ranging from 17.7 to 22.3, depending upon assumptions concerning the likelihood of anticipated licensing and regulatory actions. The Office has a professional staff of 11 in the Licensing and Safety Division. The workload estimates used conservative assumptions concerning the likelihood of various initiatives resulting in license applications. For example, emerging initiatives such as McDonnell Douglas' Delta Clipper (single-stage-to-orbit vehicle) and launches of constellations of low earth orbit communication satellites were not included. No allowance for unforeseen work was made.

These issues are discussed in detail in the following pages describing requested contract resources and will not be repeated here. Although OCST makes extensive use of contractor support, certain regulatory activities are more appropriately and efficiently carried out by Government personnel, such as formulation of regulations, license determinations, enforcement actions, and formulation of U.S. positions in international trade negotiations. Contractor support has shifted away from broad support for developing a regulatory and policy program to the more focused approach of specific safety analyses and research. These efforts require more specialized expertise than can practically be obtained from an in-house staff, however qualified.

The Office of Commercial Space Transportation must handle the demands imposed by a more active industry. The Department has no choice in responding to these license applications--it is required by law that they be addressed and that public safety be protected. The Office devotes the largest portion of its resources to ensure public safety through its licensing program. With commercial operators bringing different operational practices and new technologies to the space launch industry, the Department must devote necessary resources to those projects to assure there is no lapse in safety. For example, both Pegasus and COMET are high tech programs that are using cutting edge technologies. Thorough technical analyses must be performed, not only by the designers of the vehicles, but also by personnel in the licensing function who must review analyses submitted by industry to assure their validity and be able to determine with confidence that safety systems will work as planned. The regulatory review necessary to ensure the safety of Pegasus and COMET will appear minor when compared to some applications the

Office expects to face by 1995. The development of the first totally new commercial spaceport without previous Government connections will force the Office to move beyond the safety of history. For the U.S. industry to compete effectively in the international market, it must be able to pursue new concepts and introduce new technologies in a timely manner. The Department must assure that the licensing of these activities does not encumber progress toward more competitive launch systems and at the same time maintain the high levels of public safety expected in the space launch industry.

Travel

An increase of \$45 thousand above the travel funding in FY 1994 (a total of \$125 thousand) is requested. The continued increase and expansion of commercial space transportation activities will increase the travel necessary to carry out the expanding regulatory and policy responsibilities anticipated in FY 1995. The ability of OCST to assure the protection of public safety is dependent on an adequate travel budget to meet the requirements of licensing, safety inspections and reviews, and safety review and approval of equipment, personnel, and procedures. Inspections of operations at existing launch facilities, operations centers, manufacturing facilities, and company headquarters will continue to constitute the majority of OCST travel.

In the past, the majority of vehicles licensed were classified as "traditional", meaning the vehicles were using proven technology, and were launched from existing government ranges. As the complexity of technology increases, the number of "non-traditional" launch vehicles, launch sites and/or launch methods submitted to the office for licensure will increase. As a direct impact of this growth, more test inspections will be required to ensure that safety requirements are being met. Travel needs are expected to increase specifically for such programs as ensuring that launch sites will adequately meet safety requirements, in 1995.

Due to the nature of site licensing, considerable on-site involvement is required. Most of the certification, evaluation, and assessment will have to be done at the site. Unlike the licensing of a single vehicle, site licensing will consist of a multi-level approval process. Approval of personnel, software, hardware, and facilities are a few of the many components that combined serve as an integrated unit (the site) that must be certified as adequate for the protection of the public health and safety and safety of property prior to issuance of a license.

Wherever practical, OCST will continue to utilize the on-site presence of other organizations to minimize the need for travel. It should be noted, however, that the geographic remoteness of

some future space launch sites used for commercial launches will impose major additional travel burdens. In addition, inspections may not be appropriate for non-OCST personnel in certain instances.

Launch failure investigations and enforcement actions also impact the Office's travel resources. New and inexperienced launch services companies have forced OCST to increase its vigilance of the company's operations subject to the conditions of its license to ensure that safety is not compromised. When incidents do occur, and enforcement actions are taken, travel to the launch company and the launch site are often required. Enforcement actions arise from the failure of launch companies to adhere to the terms and conditions of their licenses, or to representations made in their license applications. Launch failures also place additional burden on the Office's travel requirements as it may be necessary to attend a series of review board meetings conducted to determine the cause of the failure. In 1993 alone, OCST participated in two separate failure review boards and conducted both independent and joint investigations with the National Transportation Safety Board (NTSB) of an incident which triggered an enforcement action. OCST's continued participation in failure review board meetings is needed to ensure that safety is not placed at risk by a failure.

Travel must also continue in support of DOT's participation in various government-to-government trade negotiations to ensure a fair and competitive international market for U.S. industry. Europe, China, and Russia provide extensive government assistance to their launch providers in order to obtain hard currency and to gain prestige. The U.S. Government has sought to avoid disruptions and dislocations resulting from the entry of China and Russia. Accordingly, the Office of the U.S. Trade Representative has negotiated trade agreements with China and Russia to establish price discipline and quantitative restrictions on space launches. Under the auspices of the United States Trade Representative (USTR) interagency group, OCST plays a vital role in formulating guidelines and principles for these negotiations, and provides important technical and data support to USTR. Discussions with the European Space Agency (ESA) and its member states are expected to be ongoing during FY 1994, and are likely to continue into FY 1995. Discussions with China and Russia regarding international trade in space launches are also expected to continue through FY 1995.

USER FEES

On August 19, 1991, the Office of Commercial Space Transportation (OCST) published in the Federal Register a final rule amending the Commercial Space Transportation Licensing Regulations (the regulations) by requiring license applicants and launch licensees to pay user fees (56 FR 41962-41068). The final rule became

effective September 18, 1991. As a result of the 1992 amendments to the Commercial Space Launch Act of 1984, as amended (CSLA), OCST is expressly prohibited from assessing user fees for any services performed pursuant to the CSLA, unless specifically authorized by the CSLA. User fees were later enacted in the DOT Appropriations Act for FY 1994. The Department supports user fees and plans to propose the necessary authorization legislation.

The fees imposed in 1991 were structured in a way that they would not be a burden on the industry. Under the amendments to the regulations, all license applications had to be accompanied by a fixed \$2,500 license application fee, and licensees paid an annual \$2,500 license renewal fee, if applicable, and a launch fee. Orbital launch fees were assessed at the rate of \$2.50 per pound of the maximum payload lift capability of the launch vehicle as determined in accordance with the parameters provided in the regulations. Sub-orbital launch fees were fixed at \$1,000.00 per launch. The relatively low application and renewal fees allowed a company to apply for a license with little financial risk. Fixing the launch fee for a suborbital launch at \$1,000 and basing the fee for an orbital launch on payload capacity ensured that fees were a small fraction of the total cost of the launch. A total of \$200,000 in user fees was collected during fiscal year 1992; no user fees were collected during fiscal year 1993.

VEHICLE & SAFETY OPERATIONS, REGULATORY AND SAFETY ANALYSIS, POLICY ANALYSIS, AND PROGRAM AFFAIRS

A total of \$4,353 thousand is requested for contract support for Vehicle and Safety Operations; Regulatory and Safety Analysis; Domestic and International Policy Analysis; and Program Support categories. The following is a break-down of program requirements by category:

A. <u>VEHICLE & SAFETY OPERATIONS</u>	\$2,200
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Objectives: To protect public health and safety as mandated by Congress in the Commercial Space Launch Act, as amended (the Act), in a manner that ensures high levels of public safety while encouraging innovation and growth in the United States space industry through regulation and licensing of commercial space transportation operations and launch and landing sites; the implementation of safety standards and safety review and approval requirements for personnel, procedures, and hardware; the monitoring of activities to ensure compliance with the Act, established regulations and license requirements; enforcement; accident investigations, and the issuance of insurance requirements.

Accomplishments:

- As a part of its responsibilities to regulate the commercial space industry, as of October 1993, OCST had overseen 37 licensed launches, issued 23 launch licenses, including 3 launch operators licenses, and 2 license renewals.
- Consistent with OCST's responsibility to ensure that licensees demonstrate financial responsibility, as of June 1993, OCST completed 23 major Maximum Probable Loss (MPL) studies.
- To facilitate communications between OCST and U.S. Space Command, an operational Interface Document defining format and protocols for operational data exchanges was signed in FY 1993.
- As a result of an incident during the operations of a commercial launch vehicle in FY 1993, OCST initiated a formal training program for inspectors and changes in its compliance monitoring processes in FY 1994.
- In FY 1994, OCST updated the safety assessments of U.S. Federal Ranges to reflect current organization and potential capabilities.
- In accordance with our authority to require licensees to comply with the terms and conditions of their license and the representations made in their application to OCST, the first enforcement action taken with the investigation of an incident under Pegasus License LLS-92-028 occurred in FY 1993.
- To ensure the safety and reliability of the Freeflyer, the Vehicle Safety Approval/Certification process will be completed in FY 1994.

FY 1993 & FY 1994 Costs: \$936 & \$1,469

1. Licensing Activities (925)

Under the Commercial Space Launch Act, OCST is mandated to ensure public health and safety and protect property through a licensing and regulatory program. The level of effort necessary to achieve this goal has grown as industry technology has grown in volume and complexity. To manage the rapid growth of the industry, licensing activities are placed in one of two general categories; vehicle operations safety assessments and launch site assessments.

Demonstration of the activity in the industry is found in the increase of newly designed vehicles appearing in the market in

answer to the growing demand for a wide range of spacecraft in low earth orbit. Some of the applications for the newer types of vehicles include communication constellations, microgravity research, remote sensing, and other scientific missions. The new launch vehicles that have emerged within the last two years include but are not limited to: Lockheeds's LLV-1, 2, 3; International Microspace's Corona; Space Vector's Aries; SII's Freeflyer; McDonnell Douglas's SSRT; Westinghouse's Westar; Orbital Sciences' Taurus & Pegasus; GD's Atlas IIAS and EER's Conestoga. Another indicator of increased industry activity is the progress toward the development of a commercially operated launch site during this time period. Lockheed and the State of Hawaii exchanged letters of agreement to cooperate on the development of the Hawaii commercial spaceport. The Spaceport Florida Authority was granted authorization to modify one of the launch complexes at Cape Canaveral Air Force Station (CCAFS) for use as a commercial launch facility for small- and medium-class orbital vehicles and began actively seeking a license from OCST.

OCST has granted licenses that as of December 1993 have resulted in 37 launches. OCST evaluates applications for licenses authorizing the conduct of space launch and reentry vehicle operations. These assessments are a significant portion of OCST's licensing activities. These assessments evaluate the proposed operations of an applicant to assure that they are within the capabilities of the vehicle and that all essential elements, i.e., safety policies and procedures, personnel, and equipment, are in place to assure safe operations. These license applications take the form of "traditional" and "non-traditional" launch proposals.

"Traditional" launches are those launches of flight proven vehicles originating from existing Federal ranges; utilize flight termination systems as their primary risk mitigation measure; and deliver payloads to geostationary transfer orbits or suborbital trajectories. These launches typically fall within OCST's baseline assessments determining the adequacy of range safety programs provided by existing major Federal ranges and make the evaluation process less workload intensive. With respect to flight safety, the assessments for these applications examine the proposed operations with respect to the flight plans, the launch site, the applicant's safety program to assure that they are within the capabilities of the existing range safety services to be used; the applicant has the adequate understanding of the safety services it is obtaining from the range; and the applicant has appropriate safety personnel/organization, procedures, policies, and equipment to incorporate these services into its own launch program to assure public safety. OCST must also assess the applicant's approach to on-orbit safety and analysis of risks due to the reentry of spent stages and conducts independent analyses of overflight risks and on-orbit collision

risks. Methodologies for these analyses have already been established through OCST's safety research program.

"Non-Traditional" launch licenses fall outside the envelope of approved safety programs, such as new vehicles, a different launch site, or non-reliance on flight termination systems. The complexity of the assessments, and consequently the workload necessary to conduct the assessments, depend on the approaches used by the applicant to demonstrate their level of public safety. These assessments initially rely on independent identification of operational hazards and failure analyses and risk analyses to determine where the evaluation should focus. Depending on the risks and risk mitigation measures proposed by the applicant, the assessment may require detailed evaluation of areas such as: personnel qualifications, training requirements, the corporate safety organization, vehicle checkout procedures, operational procedures, mission rules/policies, contingency plans, and support equipment calibration and maintenance requirements. On-orbit safety and reentry risks may be unique depending on the proposed launch activity. For example, the assessment of low earth orbit satellite constellation deployment or reentry vehicle operations require unique and proposal-specific application of appropriate risk analysis methodologies established by OCST's research to accurately characterize the operation and associated risks.

2. Launch Systems Approval

(700)

OCST evaluates and approves applications involving safety-related launch and reentry vehicle systems. In order to assure that the proposed launch activities do not jeopardize public safety, OCST must review the capability of the vehicle to be operated in a safe manner. Several of the launch concepts that were developed in 1992 and 1993 will begin to reach design and development phases by 1995 and require safety evaluations and analyses similar in nature to commercial vehicles such as COMET reentry vehicle and the Pegasus launch vehicle. McDonnell Douglas, which has already conducted several successful test flights of its prototype single-stage-to-orbit vehicle, is discussing the eventual licensing of a commercial version with OCST.

These safety evaluations are based on performance requirements, rather than design standards; but while fostering innovation and technological development, use of performance standards sometimes requires greater technical resources to conduct safety assessments. Evaluation of these new vehicles may include: independent vehicle design hazards identifications and failure analyses, aerodynamic and dispersion analyses, risk analyses, and inspections of vehicle development, testing, and manufacturing quality assurance mechanisms. Each evaluation may require at least several person-years of contractor effort and anywhere from six months to several years to complete the evaluation.

OCST will continue to assess and approve key safety-related systems which require greater depth of safety review or allows flexibility to the system manufacturer. For example, industry has already contacted OCST regarding how Federal policies will impact their plans to develop range-independent flight safety systems, such as the use of Global Positioning System (GPS) tracking systems and flight termination systems that are automatic or off-site from the range. These new safety systems will not have the benefit of historical experience and testing programs of government ranges, and therefore will require OCST to examine the performance, reliability and quality assurance mechanisms associated with the design and production of these systems.

3. Launch Site Assessments and Licensing (\$250)

Although commercial launch sites have been in various stages of development for the past few years, OCST expects to be actively involved in the licensing of one or more sites in 1995. Commercial launch sites are classified as fixed or mobile. Due to the nature of site licensing, considerable on-site involvement is required. Most of the certification, evaluation, and assessment will have to be done at the site. Unlike the licensing of a single vehicle, site licensing consists of multi-level approval processes. Approval of personnel, software, hardware, and facilities are a few of the many components that combined, serve as an integrated unit (the site) that must be certified as adequate for the protection of the public health and safety and safety of property prior to issuance of a license.

Fixed commercial sites that are under various stages of planning and development vary from the use of existing launch locations and facilities (e.g., Spaceport Florida Authority and Alaska's Poker Flat Research Range) to completely new sites (e.g., Hawaii). Besides the State of Hawaii, interest has been expressed in locating commercial sites in the States of Alaska, Alabama, California, Florida, Georgia, Mississippi, and New Mexico. The funding made available by the DOD grant program has increased activity in the development of commercial spaceports. The Spaceport Florida Authority's commercial launch facility at Cape Canaveral is expected to be operationally ready in late 1994. Additionally, Alaska's Poker Flat site is already an operational site and primarily would only need to address environmental issues to receive a commercial site license.

Mobile launch concepts under development include the air-launch of a launch vehicle from an aircraft over any point on earth. OCST is continuing to work with one launch company and the FAA concerning certification of an L-1011 to be used for air launches. The company has talked with OCST about the "autonomous range" it intends to use eventually, freeing the operation from the need for fixed range support. Another example of mobile

launch concepts under development is the U.S. Naval Research Laboratory's joint venture with Sealar Corporation to research and develop a two-stage liquid fueled rocket which would take off from the ocean's surface.

All of these approaches provide a new freedom to launch operators both for mission considerations and for moving away from dependence on established government ranges, and imply a whole new approach to range safety and system requirements. OCST strives to regulate in an efficient manner in order to minimize required resources for both OCST and the regulated community, while allowing industry to innovate and remain competitive.

4. Inspections and Enforcement

(185)

As a means of exercising its regulatory authority, OCST routinely inspects licensees to ensure that compliance with the terms and conditions of the license is met. Commercial launch and site operators must demonstrate to the inspector that the company is conducting operations in a manner consistent with the representations made in their applications. In addition, licensees are required to submit certain documents such as insurance certifications, as well as other information periodically to demonstrate continued compliance with the license requirements.

In the past, typical activities by OCST inspectors included monitoring of key launch readiness meetings, launch countdown operations, inspection of vehicle hardware, and safety/quality assurance documentation. In order to shift the workload burden, OCST utilizes contractor support for specific monitoring circumstances. The inspection process is made efficient and effective while travel costs are controlled by taking the opportunity to inspect as many launch vehicles, payloads, operations, and facilities as possible on a single inspection trip. Current trends in the industry indicate that by 1995 the number of requests for operators licenses will increase. Because launch operations are becoming more complex, and the added task of monitoring launch sites now exists, more of OCST's resources will be devoted to compliance monitoring. Vehicle safety approvals will require inspections during the development and testing of new vehicle designs. Inspections may take place at launch sites, payload processing facilities, company home plants, or remote data and/or tracking locations. To minimize the impact on the inspected party and ensure that vital safety aspects are covered, the development of compliance monitoring procedures and protocols is necessary. This is especially true for commercial space transportation activities that have moved away from existing government sites. Since commercial launch sites will not have experience as is the case with government ranges, it will be necessary to monitor their performance more extensively

than has been necessary for those safety services obtained from Cape Canaveral, for instance.

A recent enforcement action arising from a launch incident illustrates the need for OCST to develop an more rigorous inspection program. If a company is not in compliance with its license, OCST may take enforcement actions against the licensee, such as suspension of the license and civil penalties. With the licenses issued thus far, OCST has found that companies may not always comply with the terms and conditions of their license or may not be operating within the representations made in their application, and previous enforcement actions (e.g. Pegasus in FY 1993) were found to be resource intensive.

Current trends in the industry indicate that by 1995 the compliance monitoring workload will increase significantly. Inspections of launch operator, launch site licensees, and vehicle safety approvals are expected in addition to the existing compliance monitoring workload for single launch licenses. The Office must have adequate resources to meet its regulatory responsibilities.

5. Accident/Incident Investigation Support (\$65)

OCST has a responsibility for investigating accidents, incidents, and events which could have an affect on public safety or the safety of property. Circumstances that would trigger an investigation could range from the malfunction of a flight safety system or one of its component parts; to a mission failure. An investigation can also be initiated as a response to a request to participate in a range operator's or commercial launch operator's investigation to ensure that public safety was not compromised.

Although OCST will continue to conduct investigations where such actions are considered required, it should be noted that the National Transportation Safety Board's (NTSB) involvement will continue as the lead investigating agency as required. As appropriate, OCST will be conducting both, independent investigations as well as participating in parallel NTSB investigations. At a minimum, OCST monitors the progress of such investigations to determine if there was a violation of OCST's regulations or license(s) and to determine if OCST's regulations and application assessment processes are adequate.

As a gauge of OCST's potential workload in this area, thirteen prelaunch and launch incidents have occurred between May 1989 and April 1993 that required OCST action. These events included the following mission failures:

- Vehicle burning on the launch pad;
- Premature separation of the payload from the launch vehicle;
- Failure of the payload to separate from the orbiting second stage;

- Failure of a second stage resulting in flight termination action;
- Guidance system failure also resulting in flight termination action;
- Second failure of a second stage again resulting in flight termination action;
- Suborbital launch failure;
- Non-nominal performance of a first stage resulting in the placement of a satellite in a lower orbit than intended;
- Failure of a vehicle's motor to ignite on the pad;
- A fatality to a worker during tower refurbishment;
- Damage to a satellite on the launch pad;
- Damage to a vehicle during prelaunch testing; and
- An incident involving a launch abnormality currently being investigated by OCST and the National Transportation Safety Board.

OCST needs to continue to refine and update its procedures and guidance for accident investigations, to include reentry, air and sea launch operations and commercial launch facilities, and to provide technical support for conducting investigations. In addition as part of the post-license requirements, OCST evaluates and approves the licensee's own incident/accident investigation plan.

6. License, Inspection and Enforcement Information Systems

(\$75)

Extensive use is made of computerized information and analytical systems by the Office to support its safety functions and provide efficient and effective response to the commercial launch industry. These systems require basic maintenance and system support.

Engineering analyses and models are used to support the assessment of license applications and maximum probable loss determinations. For example, off-the-shelf probabilistic trajectory models enable OCST to assess the local public risks and provide supportable third-party and Government property insurance requirements that are not artificially excessive due to the uncertainties introduced by imprecise analytical tools.

Safety and Industry Accident Databases are key elements in support of the assessment of license application and the derivation of insurance requirements. The databases include information on other research and studies that have already been conducted to ensure work is not duplicated. These databases are continuously updated as new data is developed.

Increased complexity of the license assessment process brought about by new commercial launch concepts, as well as applications for the operation of commercial launch sites, make project planning and resource management extremely important. Computer based project planning and management systems aid internal resource planning and allocation and identify any external scheduling issues (e.g., planned launch dates) which might require reallocation of OCST resources. Tracking systems

automatically alert the staff of pending critical milestones, such as the licensee's requirement to demonstrate sufficient financial responsibility. Such milestones, if missed can lead to notices of non-compliance and, where appropriate, enforcement actions.

As the number of launch service companies and launches increase and with the advent of commercial launch sites and associated operations, a system to efficiently track incidents, mishaps and non-compliances uncovered during inspections will be added to support enforcement. This system will permit OCST to track various problems across vehicles, companies, ranges, and other characteristics.

As the number and types of licenses the Office processes and the number of launch activities increase, the number of analyses and activities to be monitored, managed and tracked also increase. Added computational demands will require the system to be strategically upgraded in order to maintain necessary system responsiveness.

B. REGULATORY AND SAFETY ANALYSIS

\$1,425

Objectives: To establish the body of knowledge necessary to support the requirements of the Commercial Space Launch Act and amendments thereto; to develop effective and efficient safety standards, evaluation and approval processes, and regulations for safe commercial operations, environmental concerns, and orbital safety; and to provide guidance to the commercial launch industry concerning regulatory aspects of new launch, payload, and safety support concepts.

Accomplishments:

- OCST sponsored through the American Institute of Aeronautics and Astronautics (AIAA) a series of workshops to identify those areas where the development of voluntary industry standards offer the highest potential for ensuring public safety and enhancing international competitiveness.
- OCST supported with NASA and Industry, a secretariat position of a new subcommittee for space in the International Standards Organization (ISO). The new group known as SC-14, is charged with developing international standards for commercial space activity.
- OCST conducted Global Positioning System's (GPS) Small Business Innovative Research (SBIR) Phase I initiative on using GPS for tracking the position of a low earth orbit spacecraft.

- OCST completed study of the value and use of Voluntary Industry Standards by regulatory agencies in order to ensure that launch services are consistent with OCST'S guidelines to protect the public health and safety and safety of property.
- In FY 1993, OCST conducted a TQM oriented survey of industry on the licensing services provided by OCST to the industry to identify areas for improvement in the licensing process.
- In FY 1993, in compliance with its responsibilities under NEPA, OCST served as a cooperating agency of the site specific EA for the COMET recovery at UTTR.
- In FY 1994, OCST completed its analyses of safety criteria for commercial vehicles designed to perform controlled reentry and maneuvering back to earth.
- In FY 1994, OCST began modelling that characterizes traffic in the space environment and the risks associated with commercial space transportation activities.
- In FY 1994, OCST updated safety assessments of at least two U.S. Federal Ranges, selected from Wallops, Vandenberg, and White Sands, to reflect current organization and potential capabilities.
- In FY 1994, OCST completed a baseline assessment of U.S. Space Command Tracking and Computation Support for commercial space transportation operations.
- In FY 1994, OCST began an initial review of orbital risk mitigation measures and their associated impacts to commercial space transportation operators.
- In FY 1994, OCST began a near-earth space traffic patterns assessment to be used in validating the safety of various proposed orbits.

FY 1993 & FY 1994 Costs: \$1,128 & \$952

1. Evaluation Criteria and Standards for Commercial Operations (\$750)

A critical issue for the future of the U.S. commercial space transportation industry that OCST must continue to address is the development of voluntary industry standards. Although modern launch vehicles and systems are based on standards that have been developed for the aviation, aerospace, and electronics industries, few standards have been established for key areas that affect the commercial space transportation industry as a whole, such as payload-launch vehicle interface. Emerging

international trends point to the importance of a unified U.S. approach to standards.

As a result of initiatives taken in 1993 to promote the importance and benefits of voluntary standards to industry, in particular the workshop sponsored by the Office, the commercial space industry has begun developing voluntary industry standards for the protection of public safety, including the process leading to their adoption as federal or even international standards.

OCST continues to focus on performance standards, which is most appropriate for a constantly changing industry. These efforts are geared to provide for a competitive environment which allows for company flexibility and does not dampen innovation. Problems arise when companies have no experience in demonstrating their adherence with performance standards. Therefore, the Office will be assisting the industry's demonstrations by creating aids such as approaches, guidelines and methodologies that will be made available to companies if requested.

Past OCST research continues to support licensing actions, and early results of standards development will be utilized in 1995. The new regulatory and safety analyses envisioned for 1995 include research to establish qualification and licensing standards for the following:

Commercial Operator Qualifications

The adequate performance of many key safety functions by commercial launch personnel is imperative to ensure public safety for most launch activities. These functions include, but are not limited to, flight termination, flight analyses for determining vehicle destruct parameters, or issuing commands to initiate key events such as reentry, etc. OCST assesses the qualifications of personnel performing such functions to ensure the public will be adequately protected.

The Office in the past has studied what particular jobs would be appropriate for standardization, the skills required, and for each job category the basis for implementing the standard, e.g., whether it should be the completion of a formal training program, the passing of a test, the need to have certain job experience, etc. The initial research was largely complete by 1993. The industry has now reached the point where job categories are better defined, requiring more detailed research. In the short term the Office will likely concentrate on range safety personnel that ensure that launch vehicles are safely launched into space, since the emergence of commercial spaceports means that those individuals are not employees of federal range operators with established training programs.

Safety Operations, Procedures and Practices

The licensing process demands that OCST properly evaluate the safety procedures and practices of launch and site operators designed to eliminate or minimize risk to the public. To establish baselines for standards, OCST will conduct research to develop methodologies for evaluating the adequacy of safety procedures and practices. Although OCST has conducted and has utilized research in this area in the past, new launch activities and the desire to establish more refined standards compel the Office to continue research in this area.

Safety and Reliability of Critical Safety Systems

OCST will conduct risk and dispersion analyses, investigate system failure modes, and will conduct cost-benefit analyses to develop evaluation criteria and requirements for critical safety systems. Without clearly defined requirements by the Federal government early in the hardware development process (perhaps 2-3 years prior to use), industry may lose time, money, and its competitiveness due to design changes late in the process necessary to meet acceptable public safety levels.

Payload Safety

Under the Act, OCST must evaluate and approve commercial space transportation payloads that are not licensed or authorized by another U.S. Government agency. These non-licensed payloads are increasing.

OCST's analysis will provide an extensive understanding of the interrelationships between the payload and launch vehicle with respect to public safety, and will define the factors that determine whether a hazard exists. OCST will also be researching approaches to regulate these activities to the extent necessary to protect the public without unnecessarily limiting the opportunities for future growth.

2. Space Safety

(\$450)

The Office will perform research to develop and refine its regulatory framework to assure a safe environment due to commercial space transportation activities. Future activities in space are expected to increase and become more diverse, resulting in greater emphasis on the Office's role for safety issues. In addition, the Office must comply with the President's National Space Policy which requires all space sectors to seek to minimize the creation of orbital debris. Research is necessary to address the Administration's policy while recognizing that action should be taken in a judicious manner in light of international competitiveness and industry viability.

In addition to the continuation of traditional launches to geotransfer orbit and suborbital launches, commercial vehicles will use new flight paths and conduct unique operations. For example, commercial vehicles will be used to deploy initial and replacement satellites for the low earth orbit constellations. This new use of low earth orbits will also create corridors of heavy-use space through which a commercial vehicle must fly to deploy satellites in this area of space or to reach other destinations such as geostationary orbit. Development of routine commercial reentry vehicle operations, once proof-of-concept flights are conducted in 1993 and 1994, will also change the traffic characteristics in space. These vehicles will maneuver in space, traverse various corridors of space activity, and return to earth (typically overflying population centers on earth). Thus, commercial space traffic and the consequent hazards in space will change significantly and require a more refined regulatory framework to assure public safety.

The Office's research will gain a comprehensive understanding of how commercial launch vehicles interact with other space traffic and the space environment, and the risks associated with these commercial launch operations. This research will then develop strategies (e.g., design requirements, operating procedures) to evaluate traffic in space, examine costs and benefits to society and industry, and assist OCST in determining an appropriate framework (e.g., voluntary standards, Federal regulations, etc.) to ensure public safety without undue burden on the industry. The research will also be augmented to address in a similar manner the new and diverse space transportation activities that will begin to develop by 1995.

3. Environmental Assessment/Analysis (\$225)

OCST's involvement in this area is mandated by certain U.S. environmental laws and policies. In particular, OCST is responsible for compliance with the National Environmental Policy Act (NEPA), and the Clean Air Act of 1990.

OCST's licensing process is a major Federal action subject to the requirements of NEPA, and affects primarily the licensing of commercial space launches and the operation of commercial launch and landing sites, and to some extent new payloads. In implementing NEPA, OCST complies with the Council on Environmental Quality's regulations for implementing the procedural provisions of NEPA (40 CFR Parts 1500-1508) and DOT's Order on considering environmental impacts (DOT Order 5610.1C).

Proposed commercial launches and facilities require the preparation of environmental assessments (EA's) or environmental impact statements (EIS's). In most cases, the cost burden of developing and preparing environmental data and documentation falls on the applicant. By FY 1995, OCST will have completed a

joint Federal/State EIS with the State of Hawaii for a proposed commercial rocket launching facility, a multimillion dollar study funded almost entirely by the State. OCST also acted as a cooperating agency for the Environmental Assessment for the COMET Space Retrieval at the Utah Test and Training Range.

Because of the positive impacts of a commercial launch facility on local economies, other state governments such as Alaska are showing interest. A similar arrangement to that achieved with Hawaii will most likely have been initiated with Alaska and other proposed commercial launch sites.

As the industry and technology continues to evolve, OCST is required to develop resources such as the 1986 "Programmatic Environmental Assessment of Commercial Expendable Launch Vehicle (ELV) Programs," which was updated in 1993, the 1992 "Programmatic EIS for Reentry Vehicles (Rvs)," and other baseline documents. In addition, research is necessary to address new environmental concerns such as the impacts of commercial launch operations on the ozone, and impacts of new propellants and technologies as they are developed and proposed for commercial use.

C. DOMESTIC POLICY ANALYSIS

\$500

Objectives: To analyze and facilitate policy initiatives to foster commercial space transportation by the U.S. private sector, in consonance with the Commercial Space Launch Act, as amended; to encourage private sector responsibility for development and enhancement of national space transportation capability; to identify national commercial space launch vehicle and infrastructure needs and to assess alternative means of meeting those needs; to analyze current and emerging economic and policy issues affecting the U.S. commercial space transportation industry; to develop policy positions and participate actively in all interagency policy, strategy or guidance deliberations affecting the commercial space launch industry; to carry out DOT's responsibilities as lead agency for commercial space transportation policy; to prepare position papers on policy issues for use in testimony, speeches, and regulations; to support the policy activities of the Commercial Space Transportation Advisory Committee (COMSTAC); and to conduct evaluations of regulatory actions under consideration by OCST.

Accomplishments:

- . OCST participated as an advocate of industry concerns in the interagency formulation of policies affecting the U.S. commercial space transportation industry across a broad spectrum of topics. These topics included, among others, trade (next section), nuclear power and propulsion in space,

single stage to orbit technology, the National Aerospace Plane, and excess ballistic missiles.

- OCST conducted research in several areas, including market demand for telecommunications, remote sensing, and materials processing, and the supply of launch services.
- OCST completed a comprehensive study of launch infrastructure and financing options, forwarded to Congress in January 1993.
- OCST continued to work closely with NASA and DOD staff engaged in launch technology development activities to facilitate incorporation of commercial interests and concerns into current and future launch vehicles. Activities included OCST representation in NASA's ongoing Access to Space Study, as well as participation in the formulation of NASA's component technology development plan (designed to enhance the efficiency and competitiveness of the current fleet of U.S. ELV's).
- OCST participated in the comprehensive NASA National Facilities Study.
- OCST conducted economic impact evaluations of regulations and rules affecting the commercial space transportation industry, particularly a regulation dealing with financial responsibility and the licensing process.

FY 1993 & FY 1994 Costs: \$363 & \$337

1. Domestic Industry Policy (\$250)

OCST is responsible for supporting the Secretary in implementing the Department of Transportation's lead agency responsibilities for developing, coordinating and articulating Federal commercial space transportation policy. These lead responsibilities are assigned to the Department by Executive Order 12465.

In interagency working groups, OCST has led the effort to enhance the international competitiveness of the U.S. launch industry by having the U.S. Government (USG):

- o implement international policies and/or accords that provide a level playing field on which our industry can compete (see next section);
- o encourage private sector efforts to develop lower cost and more reliable launch vehicles and improved infrastructure; and

- o USG purchasing of space goods and services, including space transportation, on a commercial basis to the maximum feasible extent.

In support of its activities in this area, OCST will continue studies of the trends in supply and demand for the international launch market. Such studies will facilitate OCST assessments of the adequacy or shortcomings of government regulatory and space transportation-related policies. As in the past, all of these studies will be provided to the Executive Office of the President in support of policy initiatives. In addition, the Office will continue the development and application of databases and analytical tools necessary to effectively monitor industry developments and participate meaningfully in policy deliberations.

2. Domestic Space Transportation Development (\$150)

Space transportation development efforts may be critical to the survival of the domestic commercial launch industry, particularly as the international launch market becomes increasingly competitive in the next few years. Although the U.S. launch industry has grown significantly since the first OCST-licensed commercial launch in 1989, with a growth in revenues from \$0 in 1988 to roughly \$500 million in 1992, it nevertheless holds a smaller percentage of the market for internationally-competed launch contracts than Arianespace, its primary competitor. Furthermore, new vehicles are currently under development in both Europe and Japan, while U.S. launch firms remain vulnerable to the participation of non-market economies, such as China and the former Soviet Union, in the international launch market.

In contrast, the current fleet of U.S. launch vehicles is based on systems developed in the early 1960's as intercontinental ballistic missiles. While there have been subsequent improvements in component and subsystem technologies, the current U.S. fleet is not optimized for commercial launches of telecommunications satellites to geosynchronous orbit. Further, until recent years, neither the USG nor the U.S. commercial space transportation industry has invested in significant expansions of or improvements in space launch infrastructure (see Section E).

To this end, OCST will conduct additional studies on infrastructure needs, as well as the mechanisms through which such needs could potentially be addressed. In support of current and future technology development efforts, OCST will also conduct an assessment of the technology needs and priorities of the commercial space transportation sector, from both short-term and long-term perspectives. This activity will build on the joint NASA, COMSTAC, and DOT efforts on component launch technologies. In addition, OCST will analyze the relationships between market trends and potential vehicle development programs in order to

gain insights into the best usage of available resources. Finally, OCST will continue the development of analytical tools capable of providing insights on vehicle development and the financial viability of infrastructure proposals.

3. Regulatory Impact Analysis

(\$100)

As a result of its statutory regulatory responsibilities, OCST is required to analyze the economic impacts of proposed regulatory actions on all entities potentially affected by such actions. The growth of the commercial space transportation industry to encompass new activities such as vehicle reentry and the development of commercial launch facilities drives the need for regulatory initiatives. However, it is essential that regulatory policy designed to protect the public interest does not impose needless, inequitable barriers to entry and operation for the industry. OCST has completed regulatory impact analyses of financial responsibility and licensing regulations. As new regulatory issues emerge (such as commercial launch sites and reentry vehicles), OCST will conduct analyses to ensure that the subject regulation is no more extensive than required to protect the public interest.

D. INTERNATIONAL TRADE MONITORING AND POLICY ANALYSIS \$150

Objectives: To monitor and assess the performance, reliability, availability, and price of foreign launch services in order to gauge the international competitiveness of the U.S. commercial space transportation industry; to develop policy initiatives to achieve equitable international accords on space launch trade; to monitor compliance with recent trade agreements with the People's Republic of China and Russia; to provide a commercial perspective in U.S. policy development relating to the national security and foreign policy issues; and to participate actively in all interagency policy, strategy or guidance deliberations, both domestic and international, affecting the U.S. commercial space transportation industry.

Accomplishments:

- OCST provided data, analyses and policy recommendations to the Office of the United States Trade Representative (USTR) regarding the U.S. position for various negotiations concerning commercial space transportation, including those with the People's Republic of China (PRC) and "rules of the road" negotiations with the European Space Agency/European Community.
- OCST participated in USTR led negotiations with Russia on a trade agreement in commercial launch services; played a pivotal role in the formulation of the final U.S. positions for the negotiations (particularly on appropriate quantity

and pricing restrictions), and provided much of the data and analyses on the international launch market.

- . In order to avoid disruptions to the world commercial space launch market, OCST obtained support from other agencies for price discipline and quantitative restrictions on Russian access to the launch market.
- . OCST sponsored a path-breaking research to assess the policy ramifications of emerging commercial opportunities in the former Soviet republics for the U.S. space transportation industry.
- . OCST developed policy positions on "par pricing" and "comparable launch services" in relation to bidding by the PRC in the international launch market. These efforts pertained to the US-PRC Memorandum of Agreement (MOA) on International Trade in Commercial Launch Services.
- . OCST participated in interagency policy development activities on international orbital debris.
- . OCST urged the U.S. delegation to the Consultative Committee on International Radio (CCIR) to oppose Japanese and British efforts to impose a rigid regulatory regime that would have adversely affected the emerging LEO communications sector.

FY 1993 & FY 1994 Costs: \$73 & \$68

Development and Implementation of International Launch Services Trade Accords (\$150)

OCST provides extensive support to the Secretary and Deputy Secretary in implementing the guidance in the national Commercial Space Launch Strategy, which calls for the development of international principles of free and fair trade in commercial launch services. Such principles are essential to the viability of the U.S. commercial launch industry, particularly as international competition increases in the next few years. U.S. Government negotiations with the European Space Agency (ESA) and its member states have proceeded intermittently since 1990 (later involving the European Community), while special provisions have been established for non-market economies (the former Soviet Union and China) that will apply until they complete their transitions to market economies.

In terms of ongoing support efforts, OCST chairs the Working Group on Information, an interagency committee established by the implementation plan for the U.S.-PRC MOA on commercial launch services, and is charged with monitoring and providing assessments of the compliance of the PRC with the MOA. OCST

performs a majority of the analyses and administration in the monitoring effort, including collecting and analyzing corporate data, organizing intergovernmental meetings, preparing the final Working Group report, and participating in subcommittee meetings of the Trade Policy Staff Committee. OCST functions as the lead agency for monitoring activities regarding any launch services agreements reached with Russia, Europe, Japan, or other countries.

To support this role, OCST will continue to conduct and support studies on the relative capabilities and policies of foreign commercial launch service providers. In addition, OCST will support the development of computer models that will enable the Office to more effectively assess the pricing practices and services of these foreign providers.

E. PROGRAM AFFAIRS

\$78

Objectives: To support the growth and international competitiveness of the U.S. commercial space transportation industry; to demonstrate here and abroad that the U.S. space transportation industry has the full confidence and backing of the U.S. government in its commitment to provide timely, efficient and reliable space transportation services to domestic and international customers; to direct and support the Commercial Space Transportation Advisory Committee (COMSTAC) in its role as chief industry advisor to the Secretary.

Accomplishments:

- OCST continued its program of support and representation for the U.S. commercial space transportation industry.
- OCST continued to establish better understanding and support for commercial space transportation and the role it can play in the economic, scientific and national security interests of the country.

FY 1993 & FY 1994 Costs: \$15 & \$67

1. Industry Activities

(\$65)

To continue to meet its statutory responsibility to promote and facilitate the U.S. commercial space transportation industry, OCST will continue to participate in a wide range of conferences, seminars, exhibitions and symposia. The Office will update its printed and audiovisual materials to reflect new technologies and developments in the space transportation field and to emphasize the U.S. determination to remain a leader in the highly competitive international space transportation sector. As the industry grows and international competition intensifies, OCST

will intensify its efforts to demonstrate our government's commitment to this essential activity.

As the space transportation industry matures and expands, with the demonstration of unmanned re-entry vehicles, single stage rocket technology and other advances, it is even more important that the Office remain in close touch with developments. In an industry that world-wide is dominated by governments and government affiliated entities, it is essential that the U.S. government be very visible in its support for our space transportation providers as international competitors, particularly since U.S. launchers are still largely dependent upon U.S. government launch facilities.

Program Affairs also provides the staffing and support for the Commercial Space Transportation Advisory Committee (COMSTAC), the principal industry group appointed to provide advice and information to the Secretary and the Department on commercial space transportation issues.

2. Public Liaison Activities

(\$13)

Public understanding of and support for the U.S. commercial space transportation industry is important to ensure its full integration into the broader transportation sector. Since a significant portion of U.S. launches and payloads continue to be purchased by foreign governments or organizations, they contribute substantially to the U.S. balance of trade. In addition, our commercial space capabilities are considered a strategic asset in national defense planning. Using the news media, various available forums, and printed and audiovisual materials, OCST will continue to stress these important aspects of this industry, as well as responding to all queries from the news media, Congress and the public. As the range of activities conducted in space broadens and new vehicles and services come to market, there will be a need for additional communication activities and materials, as well as updating those in use.

OFFICE OF THE SECRETARY
PAYMENTS TO AIR CARRIERS

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993 actual	1994 est.	1995 est.
69-0150-0-1-402			
Program by activities:			
10.00 Section 419 subsidy (total obligations) (object class 41.0)	---	4,020	---
Financing:			
17.00 Recovery of prior year obligations.		---	---
21.40 Unobligated balance available, start of year : Treasury balance.	(1,746)	---	---
24.40 Unobligated balance available, end of year : Treasury balance.	(2,274)	(4,020)	
	<u>4,020</u>	<u>---</u>	<u>---</u>
39.00 Budget authority	0	0	0
Relation of obligations to outlays:			
71.00 Total obligations	---	4,020	---
72.40 Obligated balance, start of year: Treasury balance	10,253	7,076	---
74.40 Obligated balance, end of year: Treasury balance	(7,076)	---	---
78.00 Adjustments to unexpired accounts.	(1,746)	---	---
90.00 Outlays	1,431	11,096	0

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

PAYMENTS TO AIR CARRIERS

PROGRAM AND PERFORMANCE

The Secretary of Transportation, through powers of delegation and review, now administers the section 419 subsidy program, which was added as part of the Airline Deregulation Act of 1978. Subsidies under this program are paid to airlines--primarily commuter carriers for specified service to designated communities. Beginning in 1992, this program is funded out of the Airport and Airway Trust Fund.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

COMMISSION ON AVIATION SECURITY AND TERRORISM

PROGRAM AND FINANCING (in thousands of dollars)

Identification code		1993	1994	1995
69-1850-0-1-407		actual	est.	est.
Relation of obligations to outlays:				
71.00	Total obligations	---	---	---
72.40	Obligated balance, start of year : Treasury balance .	4	---	---
77.00	Adjustments to expired accounts	(4)	---	---
90.00	Outlays	0	0	.....

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

COMMISSION ON AVIATION SECURITY AND TERRORISM

PROGRAM AND PERFORMANCE

The Commission on Aviation Security and Terrorism reviewed and evaluated policy options in connection with aviation security with particular reference to the destruction on December 21, 1988, of Pan American World Airways Flight 103. The Commission was terminated in 1990.

Intragovernmental funds:

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

WORKING CAPITAL FUND

Necessary expenses for operating costs and capital outlays of the Department of Transportation Working Capital Fund not to exceed [\$93,000,000] \$107,359,000 shall be paid, in accordance with law, from appropriations made available by this Act and prior appropriations Acts to the Department of Transportation, together with advances and reimbursements received by the Department of Transportation.
(Department of Transportation and Related Agencies Appropriations Act, 1994.)

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

WORKING CAPITAL FUND

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993 actual	1994 est.	1995 est.
69-4520-0-4-407			
Program by activities:			
Operating Expenses:			
Printing and graphics activities:			
00.01 Direct operating expenses	20,121	19,900	19,366
00.02 Overhead expenses	1,336	1,058	1,402
Support services activities:			
00.10 Direct operating expenses	27,726	20,524	30,321
00.11 Overhead expenses	1,418	864	1,732
Library services:			
00.20 Direct operating expenses	2,487	2,356	2,407
00.21 Overhead expenses	165	125	174
Information resource management activities:			
00.30 Direct operating expenses	15,910	43,202	45,712
00.31 Overhead expenses	560	1,574	2,200
00.91 Total operating expenses	<u>69,723</u>	<u>89,603</u>	<u>103,314</u>
Capital investment (purchase of equipment):			
01.01 Printing and graphics activities	326	20	560
01.02 Support services activities	1,135	30	63
01.03 Library services	---	12	---
01.04 Information resource management activities:	2,892	3,335	3,422
01.91 Total capital investment	<u>4,353</u>	<u>3,397</u>	<u>4,045</u>
10.00 Total obligations	74,076	93,000	107,359
Financing:			
21.40 Unobligated balance available, start of year :			
Treasury balance	(11,303)	(10,058)	(10,058)
24.40 Unobligated balance available, end of year :			
Treasury balance	<u>10,058</u>	<u>10,058</u>	<u>10,058</u>
68.00 Budget authority (gross): Spending authority from offsetting collections	72,831	93,000	107,359
Relation of obligations to outlays:			
71.00 Total obligations	74,076	93,000	107,359
72.40 Obligated balance, start of year :			
Treasury balance.	10,837	22,849	22,849
74.40 Obligated balance, end of year . . .			
Treasury balance.	(22,849)	(22,849)	(22,849)
77.00 Adjustments to expired accounts	1	---	---
87.00 Outlays (gross)	62,065	93,000	107,359
Adjustments to gross budget authority and outlays:			
88.40 Offsetting collections from Non-Federal sources. .	<u>(72,831)</u>	<u>(93,000)</u>	<u>(107,359)</u>
89.00 Budget authority (net)	---	---	---
90.00 Outlays (net)	<u>(10,766)</u>	---	---

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

WORKING CAPITAL FUND

PROGRAM AND PERFORMANCE

The Working Capital Fund finances common administrative services that are centrally performed in the interest of economy and efficiency in the Department.

Services rendered are charged at rates that return in full all operating expenses, including a normal reserve for accrued annual leave and depreciation of equipment. The fund is reimbursed by the operating administrations and offices being served.

The activities of the Working Capital Fund include:

Printing and graphics. -- Provides the necessary services needed to support the production and procurement of Department printing and graphics and serves as the production and procurement authority for the Department's graphics, materials, exhibits and photography.

Support services. -- Provides for programs such as communications, mail, building management, chauffeur, and security.

Library. -- Provides a resource for historical information and aids in the dissemination and exchange of technical and other information.

Transportation computer activities. -- Provides the necessary services needed to support information processing services which include networking, processing of data, systems management and training.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

WORKING CAPITAL FUND

OBJECT CLASSIFICATION (in thousands of dollars)

Identification Code	FY 1993 Actual	FY 1994 Estimate	FY 1995 Estimate
69-4520-0-4-407			
Personnel compensation:			
11.1 Full-time permanent.....	13,538	13,925	15,339
11.3 Other than full-time permanent.....	299	413	460
11.5 Other personnel compensation.....	347	457	480
11.9 Total personnel compensation.....	14,184	14,795	16,279
12.1 Civilian personnel benefits.....	2,580	2,591	2,994
13.0 Benefits for former personnel.....	2,558	2,500	2,500
21.0 Travel and transportation of persons.....	263	478	691
22.0 Transportation of things.....	203	221	227
23.3 Communications, utilities, and miscellaneous charges.....	9,689	8,694	10,938
24.0 Printing and reproduction.....	1	-0-	-0-
25.2 Other services.....	34,434	54,691	63,746
26.0 Supplies and materials.....	3,489	3,867	3,986
31.0 Equipment.....	6,414	5,163	5,998
41.0 Grants , subsidies, and contributions.....	260	-0-	-0-
42.0 Insurance claims and indemnities.....	1	-0-	-0-
99.9 Total obligations.....	74,076	93,000	107,359
FY 1994 carryover - \$10,057,696			

Personnel Summary

Total compensable workyears:			
5001 Full-time equivalent employment.....	347	340	360
5005 Full-time equivalent of overtime and holiday hours.....	4	5	5

WORKING CAPITAL FUND

(Dollars in Thousands)

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1994</u> <u>Enacted</u>	<u>FY 1995</u> <u>Estimate</u>	<u>Difference</u>
Permanent Positions	334	332	352	20
Full-Time Equivalents	347	340	360	20
Obligation Limitation	\$74,076	\$93,000	\$107,359	\$14,359

DESCRIPTION OF WORKING CAPITAL FUND

The Office of the Secretary's (OST) Working Capital Fund (WCF) finances common administrative services that are centrally performed in the interest of economy and efficiency in the Department of Transportation (DOT). Services rendered are charged at rates that return all operating expenses in full, including a normal reserve for accrued annual leave and depreciation of equipment. The Fund is reimbursed by the operating administrations (OA's) and other customers being served.

FY 1995 BUDGET REQUEST

The FY 1995 WCF request reflects an increase of \$14,359,000 and 20 FTEs from the FY 1994 request level.

Mandatory increases of \$2,754,000 are requested to cover pay raises, within-grade increases, and inflation or outside vendor increases. These fixed costs must be paid, and if obligation authority is not sufficient to cover these costs, the basic level of services provided to the OA's must be reduced. Partially offsetting these increases are reductions totaling \$300,000 for one-time costs which will not recur in FY 1995, for a total net mandatory increase of \$2,454,000.

This request reflects program decreases of \$3,613,000 and four FTEs. Included as program decreases are \$122,000 and four FTEs which reflect the impact of the Executive Order on the Reduction of 100,000 Federal Positions and \$3,491,000 from savings achievable through planned program reductions, increased efficiencies and streamlining resulting from the National Performance Review efforts.

This request reflects program increases of \$15,518,000 and 24 FTEs. Included as program increases are \$10,704,000 and 21 FTEs to transfer several activities from the OST Salaries & Expenses (S&E) Appropriation reimbursable program. This includes Sign Language Interpreting Services, Seminar for Prospective Managers, Federal Executive Institute, Consolidated Personnel Management Information System, Work Force Diversity Program, Drug Testing and Education Program and Centralized Distribution Mail Metering. In addition, \$880,000 is included to transfer the Extended Local Area Network/Intermodal Data Network (ELAN/IDN) from the Volpe National Transportation Systems Center (VNTSC), and \$175,000 to transfer the Workers' Compensation Information System from the Federal Aviation Agency (FAA). Reimbursable agreements were initially used for start-up of these programs. Now that they are stable, ongoing activities, it is appropriate that they be funded through the WCF. Since these programs have been previously financed through reimbursable agreements with the OA's, these transfers do not represent an

increase of funding for the Department. These programs meet the criteria for inclusion in the WCF, in that each is an administrative service, each is a common shared resource by more than one OA, and each is centrally managed for a more economical and efficient operation.

In addition, the request reflects an increase of \$100,000 and three FTEs for the transfer of three executive drivers from the United States Coast Guard (USCG) to the WCF's consolidated executive motor pool. The remaining program increases of \$3,659,000 are required to improve the quality and competitiveness of WCF services to customers and comply with OMB requirements. This includes copy center machine replacement, automation of WCF processes, a Federal Managers' Financial Integrity Act Review of the Departmental Accounting and Financial Information System (DAFIS) and implementation of client/server technology in the DAFIS environment.

Following is a detailed narrative describing our request by the five WCF budget activities.

WORKING CAPITAL FUND
(Dollars in Thousands)

	<u>FY 1993</u>		<u>FY 1994</u>		<u>FY 1995</u>		<u>Difference</u>	
	<u>Actual</u>		<u>Enacted</u>		<u>Estimate</u>		<u>Oblig.</u>	
	<u>Oblig.</u>		<u>Oblig.</u>		<u>Oblig.</u>		<u>Limit.</u>	<u>FTE</u>
	<u>Limit.</u>	<u>FTE</u>	<u>Limit.</u>	<u>FTE</u>	<u>Limit.</u>	<u>FTE</u>	<u>Limit.</u>	<u>FTE</u>
Printing & Graphics	\$20,447	62.0	\$19,920	60.8	\$19,926	59.8	\$ 6	-1.0
Support Services	28,861	159.0	20,554	145.8	30,384	168.3	9,830	22.5
Library	2,487	32.0	2,368	26.2	2,407	26.2	39	—
Info. Res. Mgmt. Act.	18,802	30.0	46,537	48.0	49,134	47.5	2,597	-0.5
Admin. Support	<u>3,479</u>	<u>64.0</u>	<u>3,621</u>	<u>59.2</u>	<u>5,508</u>	<u>58.2</u>	<u>1,887</u>	<u>-1.0</u>
Total	\$74,076	347.0	\$93,000	340.0	\$107,359	360.0	\$14,359	20.0

PRINTING AND GRAPHICS

This budget activity provides the services required to support the production and procurement of DOT printing and graphics. In addition, this activity serves as the production and procurement authority for DOT's graphics, exhibit, and photography functions.

Changes in Resources

Total Increase in Obligation Authority: \$6,000

Total Decrease in FTEs: -1

Mandatory Changes: \$226,000

This includes reductions for non-recurring costs for one-time printing jobs (\$300,000). These are offset by increases for personnel compensation and benefits (\$82,000) for a FY 1995 pay raise, normal within-grade increases, and a reduction reflecting one less pay day, as well as a 1.6 percent price increase for non-personnel costs (\$444,000).

Program Decreases**Printing and Graphics Program Reductions: -\$760,000 and -1 FTE**

A reduction of \$27,000 and 1 FTE is proposed for this activity to comply with the Executive Order on the Reduction of 100,000 Federal Positions and \$733,000 from savings achievable through planned program reductions, increased efficiencies and streamlining resulting from the National Performance Review efforts.

Program Increases**Copy Center Machine Replacement: \$540,000**

DOT owns 43 copy machines located in copy centers which have an average useful life of 5 years. To provide for the orderly replacement of these machines, a five-year replacement cycle has been established to replace 9 machines each year at \$60,000 each. FY 1995 will be the first year of that cycle. Failure to replace this equipment on schedule will result in a significant escalation of annual maintenance costs.

SUPPORT SERVICES

This budget activity provides the services required to support the programs of DOT such as mail, building management, motor pool services, security and investigations.

Changes in Resources

Total Increase in Obligation Authority: \$9,830,000

Total Increase in FTEs: 22.5

Mandatory Changes: \$457,000

This includes increases for personnel compensation and benefits (\$207,000) for a FY 1995 pay raise, normal within-grade increases, and a reduction reflecting one less pay day, as well as a 1.6 percent price increase for non-personnel costs (\$250,000).

Program Decreases**Support Services Program Reductions: -\$1,606,000 and -1.5 FTE**

A reduction of \$47,000 and 1.5 FTE is proposed for this activity to comply with the Executive Order on the Reduction of 100,000 Federal Positions and \$1,559,000 from savings achievable through planned program reductions, increased efficiencies and streamlining resulting from the National Performance Review efforts.

Program Increases By Transfers From Other Funding Sources

Sign Language Interpreting Services: \$127,000

An increase of \$127,000 is requested to transfer sign language interpreting services from the OST S&E Appropriation reimbursable program to the WCF. This program was previously funded through separate contracts by the OA's. OST surveyed selected placement counselors in OA headquarters offices and found that only 1 in every 7 requests for interpreting services is currently met. Beginning in June, 1993 this program will be centralized in OST and funded through reimbursable agreements. This will be less costly and more efficient than the OA's providing this service individually. FY 1995 will be the first opportunity to fund this common administrative service in the WCF.

Currently, there are 37 deaf employees in headquarters offices requiring sign language interpreting services on an as needed basis. Two full time interpreters are needed to provide sign language interpreting for all OA's. Professional standards stipulate that interpreters may only sign for one hour at a time. After signing one hour, they must be given a 30 minute break. Interpreters will be available for scheduled staff meetings, unscheduled or called meetings, special events, training, and at any other time interpreting services would be required.

Seminar for Prospective Managers: \$215,000

An increase of \$215,000 is requested to transfer the Seminar for Prospective Managers from the OST S&E Appropriation reimbursable program to WCF. This seminar focuses on career development of prospective managers throughout the Department. Participants are given the opportunity to discuss classical theories of management and to practice simulated applications of these theories. Through a variety of exercises, participants focus on their career goals and examine whether further management development is an appropriate part of their goals.

Federal Executive Institute: \$273,000

An increase of \$273,000 is requested to transfer funding for training at the Federal Executive Institute (FEI) from the OST S&E Appropriation reimbursable program to WCF. FEI targets current members of the Senior Executive Service, (SES) those enrolled or who have completed an approved SES Candidate Development Program, and GM-15 managers. FEI is a four week residential program offered by the Office of Personnel Management (OPM) in Charlottesville, Virginia. Departmental participation in FEI has been ongoing for several years, with the OST Office of Personnel responsible for coordinating this program.

Consolidated Personnel Management Information System: \$2,777,000 and 6 FTEs

An increase of \$2,777,000 and 6 FTEs is requested to transfer the Consolidated Personnel Management Information System (CPMIS) from the OST S&E Appropriation reimbursable program to the WCF. CPMIS is the central source for departmental civilian work force information and is mandated by OPM. Personnel transactions from OAs are processed through the automated data base and subsequently transmitted via magnetic tape to update OPM's Central Personnel Data File (CPDF). The CPDF is used to generate recurring and ad hoc reports for OPM, Office of Management and Budget, Congress, and the White House. CPMIS also interfaces with the Consolidated Uniform Payroll System (CUPS) to generate employee pay and to report the cost by appropriate accounting classification.

Work Force Diversity Program: \$2,221,000 and 6 FTEs

An increase of \$2,221,000 and 6 FTEs is requested to transfer the Work Force Diversity Program from the OST S&E Appropriation reimbursable program to the WCF. This program addresses recruitment, retention and development of the Department's highly qualified diverse work force by providing diversity training, managerial awareness courses, the management intern program, the departmental Cultural Audit, disability awareness training, the Diversity Work and Family Resource Center and other special emphasis programs.

Drug Testing and Education and Awareness Program: \$2,940,000 and 9 FTEs

An increase of \$2,940,000 and 9 FTEs is requested to transfer the drug testing and education and awareness program for DOT employees from the OST S&E Appropriation reimbursable program to the WCF. This program, which is administered out of the OST Office of Personnel, is responsible for 1) formulating policies, procedures and resource requirements needed to implement the requirements of E.O. 12564 and the Omnibus Transportation Employee Testing Act of 1991 on a DOT-wide basis; 2) performing the day to day functions needed for the operation of the drug testing program such as preparing and distributing test lists, coordinating collection schedules, screening test results received, reconciling and correcting collection or test problems, coordinating with modal representatives when action is required because of a positive test result; and 3) developing contract requirements for collection, testing, and quality control functions, and serving as contact point and COTR for those contracts. The Office of Personnel also administers a drug awareness and education program which includes developing training requirements and plans, evaluating training effectiveness, and modifying training programs, as appropriate.

Workers' Compensation Information System: \$175,000

An increase of \$175,000 is required to transfer the Workers' Compensation Information System (WCIS) from the FAA to the WCF. The Assistant Secretary for Administration has overall responsibility for the DOT workers' compensation program. The Department's bill for FY 1993 is expected to exceed \$90,000,000. At the current rate of increase, the Department's bill will pass \$100,000,000 in approximately three years unless more aggressive actions are taken by the OA's to contain their costs.

WCIS was developed in the early 1980s by the FAA to provide FAA managers with the information they needed to contain workers' compensations costs and better manage the program through use of standard reports on compensation and medical costs under the Federal Employees Compensation Act.

In 1989, OST took over the administration of WCIS, and its coverage was expanded to the entire Department while FAA continued funding the program. By utilizing the information available in WCIS, managers in the OA's now have the basic tools needed to identify specific opportunities to reduce costs.

Centralized Distribution Mail Metering: \$2,151,000

An increase of \$2,151,000 is requested to transfer the cost of instituting mail metering within the centralized distribution function in the WCF. By installing postage meters to determine the most cost effective means of mailing based on the urgency of a shipment, including the use of alternative and cheaper classes of mailing as well as alternative carriers, the Department expects to save

approximately \$530,000 annually in postage. Prior to centralization, each OA was responsible for directly funding expenditures for postage when billed by the U.S. Postal Service. Beginning in FY 1993 this service was funded through reimbursable agreements with the OA's. The amount transferred reflects the savings realized through implementation of this program.

Consolidation of Executive Motor Pool: \$100,000 and 3 FTEs

An increase of \$100,000 and three FTEs is requested for the transfer of three motor vehicle drivers from the USCG. This will complete the consolidation of an executive motor pool in the WCF for the purpose of reducing the number of executive use vehicles required by Presidential directive.

LIBRARY

This budget activity provides a resource for historical information and aids in the dissemination and exchange of technical and other information important to the progress of transportation.

Changes in Resources

Total Increase in Obligation Authority: \$39,000

Mandatory Changes: \$69,000

This includes increases for personnel compensation and benefits (\$38,000) for a FY 1995 pay raise, normal within-grade increases, and a reduction reflecting one less pay day, as well as a 1.6 percent price increase for non-personnel costs (\$31,000).

Program Decreases

Library Program Reductions: -\$30,000

A reduction of \$30,000 is proposed for this activity from streamlining resulting from the National Performance Review efforts.

INFORMATION RESOURCE MANAGEMENT ACTIVITIES

This budget activity provides the necessary services needed to support information processing services which include networking, telecommunications, processing of data, maintenance, applications development, systems management, and training. It also provides the supplies, hardware, and software needed to operate the services.

Changes in Resources

Total Increase in Obligation Authority: \$2,597,000

Total Decrease in FTEs: -0.5

Mandatory Changes: \$1,579,000

This includes increases for personnel compensation and benefits (\$85,000) for a FY 1995 pay raise, normal within-grade increases, and a reduction reflecting one less pay day, as well as a 1.6 percent price increase for non-personnel costs (\$1,216,000) and increased computer operations cost (\$278,000) for DAFIS.

Program Decreases

Information Resource Management Program Reductions: -\$1,181,000 and -.5 FTE

A reduction of \$12,000 and .5 FTE is proposed for this activity to comply with the Executive Order on the Reduction of 100,000 Federal Positions and \$1,169,000 from savings achievable through planned program reductions, increased efficiencies and streamlining resulting from the National Performance Review efforts.

Program Increases By Transfers From Other Funding Sources

Extended Local Area Network/Intermodal Data Network: \$880,000

An increase of \$880,000 is needed to transfer the ELAN/IDN data transport equipment and services from reimbursable agreements with VNTSC to the WCF. This system will serve as a general purpose data transport utility similar to the headquarters telephone system.

On January 1, 1991, OST assumed responsibility for management and operations of the ELAN, an existing data network providing service to portions of six of the nine DOT OA's (approximately 3,000 plus users). This ELAN network is now nearing its traffic capacity and users require a faster and more flexible data network system offering more sophisticated data network services such as data sharing, and DOT-wide electronic mail capability.

The IDN, with its new high speed fiber optic backbone, will be able to provide the services users require. Once established, the IDN will have an initial user base exceeding 5,400.

This ELAN/IDN data network complies with the High-Performance Computing Act of 1991 which is now one of the cornerstones of the Administration's electronic highway program.

Large systems designed for continuous operation require a financial structure such as the WCF which allows for the capitalization of high cost hardware and software purchases. This capability avoids large year-to-year changes in operating costs billed to users.

Other Program Increases

Federal Managers' Financial Integrity Act Review: \$719,000

OMB Circular A-123, "Management Controls," (Draft issued 1/29/93) requires that "agencies must conduct detailed examinations of the management controls in each assessable unit at least once every five years." Since the last DAFIS detailed review was performed in FY 1990, the Department must perform a FMFIA review of the DAFIS system and its related accounting operations in FY 1995.

In FY 1990 OST funded, developed the methodology for, and facilitated a contractor effort to conduct a DAFIS-wide Consolidated Review Program (CRP) that satisfied the requirements of OMB

Circulars A-123, A-127 and A-130 for all OA's on the system at that time. This review eliminated duplicate efforts between the OA's, instituted better controls to ensure overall integrity and compliance, and minimized operational impact on the accounting operations. The OA's have expressed a desire to continue this approach in FY 1995 and have endorsed its inclusion in the DAFIS Operations Activity. They will fund individual administrative costs, such as travel, to support the review.

An increase of \$719,000 is requested to obtain contractor assistance for the FY 1995 CRP. Funding for this consolidated review would be far less expensive than having each OA individually contract for and perform a review. Contracting for individual, comparable reviews would increase the overall contractor costs to the Department by approximately 30%. In addition, separate reviews could result in a variance in quality owing to such factors as priority assigned, funds available and internal expertise. Performing a consolidated review also provides an excellent opportunity to compare results with the FY 1990 consolidated review performed by an independent contractor to determine improvements and gains. Funding is also required to avoid diversion of DAFIS enhancement resources to complete the systems portion of the review.

Client/Server Technology: \$600,000

An increase of \$600,000 is requested to implement Client/Server technology including hardware, software, and telecommunications in the DAFIS environment. Over the last several years, DAFIS users have expressed a need for improved access to DAFIS information to conduct various analyses and evaluations of the information, satisfy management and congressional information requests, and meet requirements outside the scope of the system such as travel trend analysis. The Department has come under severe criticism by OMB and the GAO for not addressing this most important user requirement. The use of Client/Server technology is consistent with DOT's telecommunication plans.

To meet user needs, it is essential that new technology be introduced to allow access, download and upload capabilities that do not impact the day-to-day operation of the system. With the addition of a Client/Server technology, a replicated database can be downloaded for local inquiry, reporting and further downloading onto personal computers.

The use of this technology will expand user access and interaction, improve ease of use and response times, increase flexibility, and introduce productivity gains related to introduction of modern graphic user interface techniques such as Windows. It would also increase availability of financial information and provide an additional means to control mainframe charges and to avoid and control future ADP cost increases. Additional positive impacts include reduced telecommunication problems and paper consumption by having users collocated with the information data base and allowing analysis on local work stations.

ADMINISTRATIVE SUPPORT

This budget activity provides the administrative support for the WCF including personnel, accounting, and procurement support.

Changes in Resources

Total Increase in Obligation Authority: \$1,887,000

Total Decrease in FTEs: -1

Mandatory Changes: \$123,000

This includes increases for personnel compensation and benefits (\$99,000) for a FY 1995 pay raise, normal within-grade increases, and a reduction reflecting one less pay day, as well as a 1.6 percent price increase for other non-personnel costs (\$24,000).

Program Decreases

Administrative Support Program Reductions: -\$36,000 and -1 FTE

A reduction of \$36,000 and 1 FTE is proposed for this activity to comply with the Executive Order on the Reduction of 100,000 Federal Positions.

Program Increases

Automation of WCF Processes: \$1,800,000

Funding is requested to improve, streamline, and automate WCF data collection, verification, tracking, and reporting processes. Funding for contractor support is needed to evaluate current processes, policies, and automated linkages between multiple systems. The contractor will perform analyses of user requirements and design, develop, and implement improved automated interfaces with existing systems and the department's primary accounting system, DAFIS.

Currently, the WCF depends upon hardcopy documentation and manual processes to deliver and account for over \$93,000,000 in common administrative services support to OST and the OA's. These processes are outdated, inefficient, labor intensive, and expensive. Because of the extensive use of manual WCF processes, program managers and fund administrators keep "cuff" records to track the status of funds and to ensure the accuracy of management and financial information.

There are approximately 57 manual processes used by organizations providing WCF services which feed information into the WCF centralized cost and billing system, with 11 of these processes repeated on a monthly basis. In some cases, manual processes are supported by personal computers. Hard copy outputs from these various processes are manually entered into DAFIS by the WCF accounting organization resulting in approximately 12,000 entries per year. Hard copy WCF billings are also provided to each customer accompanied by numerous pages of supporting detail data. The limited use of automated processes results in numerous inefficiencies such as customers receiving their bills during the middle of the month following the billing cycle and the need for customers to reenter, verify, and reconcile WCF data with information contained in their manual systems.

Under this initiative, OST will significantly improve the administration and management of WCF work activities to achieve efficiencies in the following critical areas:

o Program Manager/Fund Administrator Requests.

Evaluate and make recommendations on processes and policies that affect how program managers and fund administrators request goods and services, track their requests through the subsequent steps until funds are charged, and how managers received feedback on fund status. Automated tools will be developed to streamline these processes. Evaluated functions include the processing and tracking of procurement requests and resulting actions (P.O., contract and BPA), travel, training, and the notification of the receipt of goods and services. This will result in increased data accuracy, tracking, and timely reporting of information.

o Source Data Automation for Common Administrative Services.

Define requirements and develop automated interfaces between the WCF centralized cost and billing system and the organizations providing WCF services. The process developed will gather costing data at its source through an automated interface between each organization providing WCF services and the WCF accounting organization. This will allow the WCF accounting organization to provide timely, accurate, and detailed cost data to WCF customers for reconciliation of costs with budgets.

o Automated Billing Interface.

Define user requirements for an automated interface between the WCF centralized cost and billing system and the accounting records maintained by OST and the OA's. Cost allocation algorithms and billing data will be established at the earliest point in the process thereby providing for the automatic charging of the general ledger accounts of OST and the OA's. Entry and verification of large volumes of detail data will occur automatically resulting in more accurate and timely fund balances and the reduction of WCF, OST, and OA staff time now devoted to performing manual work tasks.

o Property Data Information.

Develop an interface between the WCF fixed asset module and various property systems. This module feeds financial information (e.g., depreciation amounts) on fixed assets acquired by the WCF into DAFIS. Currently, separate descriptive and location information must be entered into existing property systems for the same assets. This causes tedious, complex reconciliations to ensure that property and financial records match. An automated interface between the fixed asset module and other property systems will provide for the automated update of records in both systems, eliminate significant manual effort, strengthen management controls, and eliminate the need for time consuming reconciliations.

o Automated Vendor Ordering, Billing, and Payment.

Assess and develop requirements to allow automated ordering, billing, and payment between vendors providing goods and services and the WCF accounting organization. These goods and services are acquired to support WCF customers and are ordered and paid for using hardcopy documentation. Significant workload reductions can be achieved through the elimination of hardcopy orders, the manual matching of invoices to order documents, and the subsequent entry of invoice data into the WCF accounting system.

Automation of outdated, time consuming, manual WCF work processes will result in cost savings, productivity increases, and service delivery improvements to WCF customers. Future cost savings and staffing benefits will accrue not only to organizations providing WCF services, but also to OST and OA customers through the elimination of labor intensive manual systems, reduction of WCF administrative overhead, and the availability of more accurate and timely information.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

MINORITY BUSINESS RESOURCE CENTER PROGRAM ACCOUNT

For the cost of direct loans [\$300,000] \$1,500,000 as authorized by 49 U.S.C. 332: *Provided*, [That of this amount, \$120,000 shall be derived from unobligated balances of the Office of Small and Disadvantaged Business Utilization: *Provided further*,] That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: *Provided further*, That these funds are available to subsidize gross obligations for the principal amount of direct loans not to exceed [\$7,500,000] \$15,000,000. In addition, for administrative expenses to carry out the direct loan program, \$400,000[: *Provided further*, That of this amount \$180,000 shall be derived from unobligated balances of the Office of Small and Disadvantaged Business Utilization]. (*Department of Transportation and Related Agencies Appropriations Act, 1994.*)

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

MINORITY BUSINESS RESOURCE CENTER DIRECT LOAN
PROGRAM ACCOUNT

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993 actual	1994 est.	1995 est.
69-0155-0-1-407			
Program by activities:			
00.01 Direct loan subsidy	---	300	1,500
00.09 Administrative expenses	<u>400</u>	<u>400</u>	<u>400</u>
10.00 Total obligations	400	700	1,900
Financing:			
22.00 Unobligated balance transferred, net	---	(300)	---
25.00 Unobligated balance expiring.	<u>300</u>	<u>---</u>	<u>---</u>
40.00 Budget authority (appropriation).	700	400	1,900
Relation of obligations to outlays:			
71.00 Total obligations	400	700	1,900
72.40 Obligated balance, start of year :			
Treasury balance.	---	382	---
74.40 Obligated balance, end of year :			
Treasury balance.	<u>(382)</u>	<u>---</u>	<u>---</u>
90.00 Outlays	18	1,082	1,900

SUMMARY OF LOAN LEVELS, SUBSIDY BUDGET AUTHORITY AND OUTLAYS
BY PROGRAM (in thousands of dollars)

Identification code	1993 actual	1994 est.	1995 est.
69-0155-0-1-407			
Direct loan levels supportable by subsidy budget authority:			
1150 Direct loan levels	<u>7,500</u>	<u>7,500</u>	<u>15,000</u>
1159 Total direct loan levels	<u>7,500</u>	<u>7,500</u>	<u>15,000</u>
1329 Weighted average subsidy rate.	4.00	4.00	10.00
1339 Total subsidy budget authority	---	---	---
Direct loan subsidy outlays:			
1349 Total subsidy outlays	---	300	1,500
Major subsidy assumptions (in percent).			
1350 Default rate	4.00	4.00	10.00
1360 Interest rate	3.20	3.70	4.18

DEPARTMENT OF TRANSPORTATION

OFFICE OF THE SECRETARY

MINORITY BUSINESS RESOURCE CENTER PROGRAM ACCOUNT

PROGRAM AND PERFORMANCE

Office of Small and Disadvantaged Business Utilization (OSDBU)/Minority Business Resource Center (MBRC). - The OSDBU/MBRC provides assistance in obtaining short-term working capital and bonding for disadvantaged, minority, and women-owned businesses (DBE/MBE/WBES). In fiscal year 1995, the short-term loan program will focus on the lending of working capital to DBE/MBE/WBES for transportation-related projects in order to strengthen their competitive and productive capabilities.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

MINORITY BUSINESS RESOURCE CENTER PROGRAM ACCOUNT

OBJECT CLASSIFICATION (in thousands of dollars)

Identification Code		FY 1993	FY 1994	FY 1995
69-0155-0-1-407		Actual	Estimate	Estimate
25.2	Other Services.....	400	400	400
41.0	Grants, subsidies, and contributions.....	.....	300	1,500
99.9	Total obligations.....	400	700	1,900

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

MINORITY BUSINESS RESOURCE CENTER DIRECT LOAN
FINANCING ACCOUNT

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993 actual	1994 est.	1995 est.
69-4186-0-3-407			
Program by activities:			
00.01 Direct loans	7,500	7,500	15,000
00.02 Interest on Treasury borrowing	---	518	627
00.91 Total direct program	7,500	8,018	15,627
01.01 Reimbursable program	---	300	1,500
10.00 Total obligations	7,500	8,318	17,127
Financing:			
21.40 Unobligated balance available, start of year:			
Treasury balance	---	(240)	---
24.40 Unobligated balance available, end of year:			
Treasury balance	240	---	---
39.00 Financing authority (gross)	7,740	8,078	17,127
Financing authority:			
67.15 Authority to borrow (indefinite)	7,740	7,778	15,627
68.00 Spending authority from offsetting collections	---	300	1,500
Relation of obligations to financing disbursements:			
71.00 Total obligations	7,500	8,318	17,127
72.40 Obligated balance, start of year :			
Treasury balance	---	4,282	---
74.40 Obligated balance, end of year :			
Treasury balance	(4,282)	---	---
87.00 Financing disbursements (gross)	3,218	12,600	17,127
Adjustments to financing authority and outlays:			
88.00 Offsetting collections from Federal funds	---	(300)	(1,500)
89.00 Financing authority (net)	7,748	7,778	15,627
90.00 Financing disbursements (net)	3,218	12,300	15,627

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

MINORITY BUSINESS RESOURCE CENTER DIRECT LOAN
FINANCING ACCOUNT

STATUS OF DIRECT LOANS (in thousands of dollars)

Identification code	1993	1994	1995
69-4186-0-3-407	actual	est.	est.
Portions with respect to appropriations act limitation on obligations:			
1111 Limitation on direct loans	7,500	7,500	15,000
1150 Total direct loan obligations	7,500	7,500	15,000
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year.	---	3,218	11,782
1231 Disbursements: Direct loan disbursements.	3,218	11,782	15,000
1251 Repayments: Repayments and prepayments	---	(3,218)	(11,782)
1290 Outstanding, end of year.	3,218	11,782	15,000

REVENUE AND EXPENSE (in thousands of dollars)

Identification code	1993	1994	1995
69-4186-0-3-407	actual	est.	est.
0101 Revenue	7,500	8,313	17,127
0102 Expense	(7,500)	(8,313)	(17,127)
0109 Net income or loss (-)	0	0	0

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code	1992	1993	1994
69-4186-0-3-407	actual	est.	est.
Direct obligations:			
33.0 Investments and loans	7,500	7,500	15,000
43.0 Interest and dividends	---	518	627
99.0 Sub-total direct obligations	7,500	8,018	15,627
99.0 Reimbursable obligations	---	300	---
99.0 Total obligations	7,500	8,318	17,127

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

MINORITY BUSINESS RESOURCE CENTER DIRECT LOAN
LIQUIDATING ACCOUNT

STATUS OF DIRECT LOANS (in thousands of dollars)

Identification code		1993	1994	1995
69-4187-0-3-407		actual	est.	est.
Cumulative balance of direct loans outstanding:				
1210	Outstanding, start of year	1,292	1,292	1,292
1290	Outstanding, end of year.	1,292	1,292	1,292

MBRC LOAN PROGRAM

OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION
MINORITY BUSINESS RESOURCE CENTER
 (\$ in thousands)

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1994</u> <u>Enacted</u>	<u>FY 1995</u> <u>Request</u>	<u>Difference</u>
Minority Business Resource Center	\$ 400	\$ 700 ¹ / ₁	\$ 1,900	+\$1,200
Loan Program	\$7,500	\$ 7,500	\$ 15,000	+7,500

The Office of Small and Disadvantaged Business Utilization (OSDBU), Minority Business Resource Center (MBRC) designs and conducts a coordinated program of activities directed at stimulating, promoting and actively assisting minority business enterprises and small and disadvantaged business participation in Departmental procurement and Federal financial assistance activities.

The OSDBU Short Term Lending Program (STLP) enables minority, women-owned and disadvantaged business enterprises (DBEs) to obtain critically needed short term working capital in the form of lines of credit to finance accounts receivable at prime interest rates for transportation-related projects. The basic eligibility requirements for applicants are: (1) the applicant must hold a current, valid certification as a DBE from an agency applying DOT certification requirements and, (2) the firm must possess a transportation-related contract which supports the application or must identify a transportation-related contract it plans to pursue. The STLP is administered by OSDBU's MBRC in conjunction with three minority banks.

In completing the STLP loan applications, applicants should be prepared to provide the following minimum information: (1) three years of financial and income tax statements, (2) contract and corporate information, (3) cash flow analysis for the period of the loan, (4) education, technical and business background of the company and employees and, (5) bank references.

RESOURCES

The MBRC Loan Program administrative funding level for FY 1995 increases to \$1,900,000 which will include \$1,500,000 for loan subsidy costs, and \$400,000 for direct administrative cost associated with the program. Under the Credit Reform Act, this level of financing will support a \$15M loan program.

¹/ Includes \$300,000 transferred from unobligated balances.

The proposal to increase the loan level from \$7.5 million to \$15 million would accommodate projected renewals and new activity in the STLP during the next year as a result of marketing and outreach efforts to the DBE community. At the end of FY 1993 loans of \$4.7 million had been approved and \$4.3 million in loan applications were being evaluated and an additional \$3.3 million in loan applications had been received. This is compared to FY 1992 loan commitments of \$1.3 million. Given the past growth rate and renewal of existing loans, OSDBU estimates a \$15 million loan level will be reached in FY 1995.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

TRUST FUND SHARE OF RENTAL PAYMENTS

PROGRAM AND FINANCING (in thousands of dollars)

Identification code		1993	1994	1995
69-8066-0-7-407		actual	est.	est.
Program by activities:				
10.00	Total obligations			
	(object class 25.2)	49,047	40,551	42,964
Financing:				
40.00	Budget authority (appropriation).	49,047	40,551	42,964
Relation of obligations to outlays:				
71.00	Total obligations	<u>49,047</u>	<u>40,551</u>	<u>42,964</u>
90.00	Outlays	<u>49,047</u>	<u>40,551</u>	<u>42,964</u>

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

TRUST FUND SHARE OF RENTAL PAYMENTS
PROGRAM AND PERFORMANCE

Beginning in 1991, trust fund payments to GSA for headquarters and field space rental and related services were consolidated into this account.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

TRUST FUNDS

PAYMENTS TO AIR CARRIERS

(LIQUIDATION OF CONTRACT AUTHORIZATION)

(AIRPORT AND AIRWAY TRUST FUND)

For liquidation of obligations incurred for payments to air carriers of so much of the compensation fixed and determined under section 419 of the Federal Aviation Act of 1958, as amended (49 U.S.C. 1389), as is payable by the Department of Transportation, [\$33,423,077] \$25,600,000, to remain available until expended and to be derived from the Airport and Airway Trust Fund: *Provided*, That none of the funds in this Act shall be available for the implementation or execution of programs in excess of [\$33,423,077] \$25,600,000 for the Payments to Air Carriers program in fiscal year [1994] 1995: *Provided further*, That none of the funds in this Act shall be used by the Secretary of Transportation to make payment of compensation under section 419 of the Federal Aviation Act of 1958, as amended, in excess of the appropriation in this Act for liquidation of obligations incurred under the "Payments to air carriers" program: *Provided further*, That none of the funds in this Act shall be used for the payment of claims for such compensation except in accordance with this provision: *Provided further*, That none of the funds in this Act shall be available for service to communities in the forty-eight contiguous States that are located fewer than seventy highway miles from the nearest [large or medium] hub airport, or that require a rate of subsidy per passenger in excess of \$200[, unless such point is greater than two hundred and ten miles from the nearest large or medium hub airport]: *Provided further*, That of funds provided for "Small Community Air Service" by Public Law 101-508, \$13,000,000 in each of fiscal years 1995, 1996, 1997, and 1998 are rescinded. (Department of Transportation and Related Agencies Appropriations Act, 1994.)

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

TRUST FUND

PAYMENTS TO AIR CARRIERS

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993	1994	1995
69-8304-0-7-402	actual	est.	est.
Program by activities:			
10.00 Total obligations (object class 41.0)	37,084	33,423	25,600
Financing:			
17.00 Recovery of prior year obligations	(2)	---	---
21.40 Unobligated balance available, start of year :	-----		
Treasury balance	(3,373)	(4,891)	(10,068)
24.40 Unobligated balance available, end of year :			
Treasury balance	4,891	10,068	10,068
39.00 Budget authority	38,600	38,600	25,600
Budget authority:			
Current:			
40.00 Appropriation	38,600	38,600	25,600
40.49 Portion applied to liquidate			
contract authority	(38,600)	(38,600)	(25,600)
43.00 Appropriation (total)	---	---	---
Permanent:			
69.10 Contract authority (96 Stat. 1740)	38,600	38,600	38,600
69.35 Contract authority rescinded	---	---	(13,000)
69.90 Contract authority (total)	38,600	38,600	25,600
Relation of obligations to outlays:			
71.00 Total obligations	37,084	33,423	25,600
72.40 Obligated balance, start of year :			
Treasury balance	4,368	5,879	13,369
74.40 Obligated balance, end of year:			
Treasury balance	(5,879)	(13,369)	(10,240)
78.00 Adjustments to unexpired accounts	(2)	---	---
90.00 Outlays	35,571	25,933	28,729

SUMMARY OF BUDGET AUTHORITY AND OUTLAYS
(in thousands of dollars)

Identification code	1993	1994	1995
69-8304-0-7-402	actual	est.	est.
Enacted/requested:			
Budget authority	38,600	38,600	25,600
Outlays	35,571	25,933	28,729
Rescission proposal:			
Budget authority	---	(10,068)	---
Outlays	---	---	---
Total:			
Budget authority	38,600	28,532	25,600
Outlays	35,571	25,933	28,729

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

PAYMENTS TO AIR CARRIERS

PROGRAM AND PERFORMANCE

The Secretary of Transportation, through powers of delegation and review, administers the section 419 subsidy program, which was added as part of the Airline Deregulation Act of 1978. Subsidies under this program are paid to airlines--primarily commuter carriers. Beginning in 1992, this program is funded out of the Airport and Airway Trust Fund.

PAYMENT TO AIR CARRIERSSUMMARY STATEMENT

(\$000)

	FY 1993	FY 1994	FY 1995	Difference from
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>	<u>FY 1994 Enacted</u>
Contract Authority	\$38,600	\$33,423 ¹	\$25,600 ²	-\$7,823
Obligation Limitation	\$38,600	\$33,423	\$25,600	-\$7,823
Obligation	\$37,083			
Liquidation of				
Contract Authority	\$38,600	\$33,423	\$25,600	-\$7,823

Essential Air Service (EAS)

This appropriation provides funds to subsidize air service to small communities by payment to air carriers under § 419 of the Federal Aviation act of 1958, as amended by the Airline Deregulation Act of 1978, the Airport and Airway Safety and Capacity Expansion Act of 1987 and the Omnibus Budget Reconciliation Act of 1990.

EAS was established as a transition program following airline deregulation. The Airport and Airway Safety and Capacity Expansion Act of 1987, P.L. 100-223, extended authorization for the program through September 30, 1998; this legislation also modified the quality of service standards for EAS. The Omnibus Budget Reconciliation Act of 1990 authorized \$38.6 million in contract authority for the program for each year FY 1992-1998. The annual amounts remain available until expended.

Eligible communities under the EAS program (about 700) include, generally, communities that were listed on air carrier certificates at the time of passage of the Airline Deregulation Act (ADA) in October 1978. As amended by the Budget Reconciliation Act of 1990, the ADA defined eligible points specifically as points that were eligible under § 419(a) of the Federal Aviation Act before October 1, 1988, that received scheduled air transportation at any time after January 1, 1990, and that did not have their eligibility withdrawn by DOT Orders 89-9-37 or 89-12-52 (these two orders made 26 communities ineligible).³ Also, the FY 1994 Department of Transportation and Related Agencies Appropriations Act required the Department to withdraw the subsidy eligibility of an additional 11 communities (Order 93-11-44).

There are two distinct types of § 419 compensation. The first (referred to as "hold-in") occurs when an incumbent carrier files a notice of intent to terminate or reduce service below the required essential service level. In that event, the Department will prohibit the incumbent carrier from suspending service at the community until the selection of a replacement carrier is

¹ Reflects the FY 1994 Congressional action to rescind \$5.2 million in contract authority.

² Reflects the FY 1995 proposal to rescind \$13 million in contract authority.

³ Eligible points include those that receive subsidized service as well as those receiving non-subsidized service.

possible. In the interim, the Department compensates the "hold-in" carrier for its continued services.

The second basic type of § 419 rate is longer-term compensation. Air carriers agree to rates of compensation for future periods subject to availability of funds, normally two years in duration, at EAS points where these carriers have proposed service, but cannot do so without compensation. This type of § 419 compensation is paid as a monthly reimbursement to the carriers after the Department has solicited proposals to serve a point, has chosen a carrier, and the carrier has provided service.

The \$25.6 million obligation limitation requested for compensation to small communities in FY 1995 is \$7.8 million less than the amount available in FY 1994, and is premised upon the implementation of program reductions by October 1, 1994. This amount reflects the monthly difference between the enacted level for FY 1994 of \$33.423 million and the estimated FY 1995 level of \$25.6 million.

The budget estimate for FY 1995 assumes that approximately 105 communities in the 50 states and Puerto Rico would receive subsidized service. This number is about 15 less than the number of communities that received subsidized service in FY 1994. This reduction would result from the imposition of tighter standards for communities to qualify for subsidized air service. Consistent with these standards, communities are ineligible to receive subsidized service if located within 70 miles of a small, medium or large hub airport, or require \$200 per passenger or more. (Proposed appropriation language specifies these criteria.) In addition, the change in the number of points receiving subsidized service reflects the anticipation that scheduled air transportation at some non-subsidized EAS communities will drop below the break-even level and require compensation while some currently subsidized communities may be approaching profitability and will no longer require financial support.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

TRUST FUND

GIFTS AND BEQUESTS

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993	1994	1995
69-8548-0-7-407	actual	est.	est.
Program by activities:			
10.00 Total obligations (object class 25.2)	28	---	---
Financing:			
Unobligated balance, start of year:			
21.40 Treasury balance	(28)	---	---
21.41 U.S. securities: Par value	(1)	(1)	(1)
Unobligated balance, end of year:			
24.41 U.S. securities: Par value	1	1	1
39.00 Budget authority	---	---	---
Relation of obligations to outlays:			
71.00 Total obligations.	28	---	---
90.00 Outlays	25	---	---

Donations received are available for transportation activities.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

RENTAL PAYMENTS

(Rescission Proposal)

PROGRAM AND FINANCING (in thousands of dollars)

Identification code		1993	1994	1995
69-0117-0-1-407		actual	est.	est.
Program by activities:				
10.00	Total obligations (object class 23.0.	---	(1,781)	---
Financing:				
39.00	Budget authority (appropriation rescission proposal) (R94-59)	---	(1,781)	---
Relation of obligations to outlays:				
71.00	Total obligations	---	(1,791)	---
87.00	Outlays	---	(1,791)	---

This proposal reflects revised requirements for GSA space rental and related services.

DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY

PAYMENTS TO AIR CARRIERS

(AIRPORT AND AIRWAY TRUST FUND)

(Rescission Proposal)

PROGRAM AND FINANCING (in thousands of dollars)

Identification code	1993 actual	1994 est.	1995 est.
69-8304-0-7-402			
Financing:			
21.40 Unobligated balance available, start of year :			
Treasury balance	---	---	10,068
24.40 Unobligated balance available, end of year :			
Treasury balance	---	(10,068)	(10,068)
39.00 Budget authority.	---	(10,068)	---
Budget authority:			
69.35 Contract authority rescission proposal (R94-60) . .	---	(5,177)	---
69.35 Contract authority rescission proposal (unobligated balance	---	(4,891)	---
69.90 Contract authority (total)	---	(10,068)	---
Relation of obligations to outlays:			
71.00 Total obligations.	---	---	---
90.00 Outlays	---	---	---

This proposal reflects contract authority and unobligated balances of contract authority from prior years that are no longer needed.

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